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## INVESTMENT & BUSINESS FORECAST

Influence of Inheritance Taxes on Securities  
—Is Cheap Money to Stay?—Improvement  
In Rails and Traction—The Market Prospect

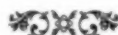
ONE factor which is tending more and more to interfere with the sale of not a few securities otherwise of standard character and in every respect desirable, is the multiplication of inheritance taxes among the various states. This danger is not so much due to the burden of the inheritance taxes themselves, although that is considerable, as it is attributable to the enormous amount of detail and red tape which are being increasingly involved in securing a transfer of title by a legatee who inherits them. It would appear that the inheritor of some classes of railroad stock and of sundry kinds of bonds must now pay anywhere from half a dozen assorted inheritance taxes to a dozen or more, before he has finished rendering unto Caesar the things which are claimed by the latter but are only very questionably if at all to be considered his.

Congress now has under discussion the idea of a very inclusive and extensive inheritance tax, with progressive rates designed almost to stop the transfer of wealth in excess of a moderate amount, thereby accentuating the burden of the already-existing state inheritance taxes and also adding to the conflict which exists among them. This confusion of taxation has sprung up so gradually, and during a period in which there was much to attract attention in other directions, that it has not received the notice it deserves.

Already, however, it is recognized that the careful investor may rearrange his estate so as to eliminate a good many of these inheritance taxes, and as this fact becomes more and more generally recognized, the influence of it will undoubtedly be to subject to a severe handicap those enterprises which, by reason of geographical situation or of

legal position, are obliged to stand up under the burden of payments. The effect upon their credit will inevitably be bad, and the result must be to render it harder for such enterprises as the railroads to supply themselves with new capital.

This is an unfortunate situation. It is bad enough to suffer the necessity, for the sake of the public welfare, to impose upon productive enterprise the tremendous load under which, at present, it must struggle along. But it is very much worse both for the state and for the individual, and infinitely worse for the enterprise whose securities are thus taxed, to impose an additional load or disadvantage upon the owner of the latter type of investment by indirect means.

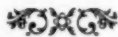


### TAX EVASIONS

JUST at present the current "evasions" in connection with the subject of taxation are not those of the taxpayer but of the Government. The main question during the past month has been whether Congress would ratify the pledge given by the President that the community should have a 25 per cent reduction of taxation. Congress had at first assented, and then evaded its promise, turning the whole matter "down," so far as the March 15 tax payment was concerned, but now once again promises a joint resolution making a 25 per cent cut before June 15. This leaves open the question whether it will be possible to obtain the passage of a general tax reduction bill prior to the end of the session. On the whole that seems to be about as open a question as ever, notwithstanding the burden of the argument is on the side of a

lightening of present requirements. But the matter has become a political issue in the most acute sense of that term.

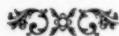
If now it should become certain within the next few weeks that no general tax relief is to be had at this session, the effect on the financial markets will be very discouraging, while conversely a fair prospect of the adoption of such a bill will have a most encouraging effect.



#### THE ADVANCE IN RAIL BONDS

NOTHING has been more interesting in the securities market of late than the consistent strength shown by railway and traction bonds of various kinds. Notable examples have been afforded by the B. M. T. securities, as well as by the issues of Seaboard Air and some other favorite railroads. In large measure, these gains have had little to do with, and have been independent of, general money conditions. They have, however, had a substantial significance outside of the mere financial position of the issuing companies in the fact that they are the outgrowth of generally better railroad conditions, and the belief that railroad finance on the whole is on the mending hand. Such improvement is long overdue, and must be regarded with gratification by those who recognize the need of the railroads for a reasonable access to funds on a fair basis of expense.

Altogether, therefore, the upward movement of the bonds of sundry railroads which have hitherto enjoyed at best only secondary credit is matter for congratulation. In the same way, the strengthening of traction securities reflects a condition of very much better balance of earnings and expenditures growing directly out of the stabilization of prices and the consequently more stable condition of wages which has been characteristic of recent conditions.

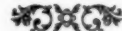


#### CHEAP MONEY

PHENOMENALLY cheap money at call has unexpectedly made its appearance during the past two weeks. The rate has, at times, been as low as  $2\frac{1}{2}\%$ , and the volume of funds available for all legitimate purposes, has been practically unlimited. This rate, so unprecedentedly low for the present season of the year, is to be attributed in part to the continued inward movement of gold, and in part to the relatively slack demand for accommodation.

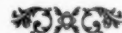
It is to be expected that the sharp reduction in money which has thus taken place

will be only a temporary phase, and will not long affect the values of securities or the activity of speculation. Indeed, there has thus far been little evidence of the latter kind of influence. Some effect upon demand for bonds has, on sundry days, been observed. The low rates will, however, hardly continue very long, nor can they be expected to alter materially the conditions of borrowing at banks or the rates which customers must pay for their commercial funds.



#### HOLIER THAN THOU

THE action of a director of a company who wrote to Frank A. Vanderlip that he could not serve on the Board of that company with Mr. Vanderlip any longer because of the attitude of the latter in criticising the late President Harding's sale of his newspaper, affords an amusing chapter in the history of the "holier than thou" cult. Scarcely less amusing is Mr. Vanderlip's prompt determination to commit official suicide after the fashion of those Chinese who find that to be the effective way of punishing one who has insulted or misused them. Temperamental differences are evidently as serious in corporation boards of directors as they are anywhere else. The offense for which Mr. Vanderlip was condemned by his fellow director—that of finding fault with a public man without conclusive evidence that would stand in court is one which has been committed many times by a large majority of his fellow citizens during recent months.



#### THE MARKET PROSPECT

THE recent improvement in the market, consisting very largely of an advance in the railroad stocks, has resulted in a recovery in the averages to within a couple of points of the year's high.

The most important feature at the present time is the contrast between the strength of the rails and the weakness of the industrials. While the rails seem to have a substantial basis for their present prices, many of the industrials are selling at prices unwarranted by their outlook.

The business prospect for the next few months is not such as to inspire confidence in the market position of the more speculative type of industrial stocks. On the other hand, there are still a number of investment opportunities available for investors more intent on income than profit, but very close discrimination is necessary.

Monday, April 7, 1924.

To—

## Business Men and Investors!

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Are you willing to see—

- 1) *The Repeal of the Esch-Cummins Act?*
- 2) *Wholesale Reduction of Railroad Rates?*
- 3) *Public Ownership of the Railroads?*
- 4) *Further Sweeping Increases in:—*
  - a) *Inheritance Taxes?*
  - b) *Excess Profits Taxes?*
- 5) *Drastic Tariff Reductions?*
- 6) *"Adjusted Compensation" for War Veterans,  
financed through a levy on Capital?*
- 7) *Public Ownership of Water Power?*
- 8) *Public Control of all Natural Resources—  
Coal, Oil, Ores and Timber?*

These are but a few of the principles enunciated in the Platform of the Republican Convention of the State of Wisconsin and sponsored in Congress by the so-called La Follette contingent.

On succeeding pages, our Washington Correspondent tells you why the exponents of these principles are gaining in power. The jeopardy in which this development places your interests demands a careful reading of our correspondent's report.

Have You Thought of This:

# What Would Happen to Business If a La Follette Candidate Became President?

The Principles La Follette Stands For—His Attitude Toward Private Wealth—Why His Influence Jeopardizes the Established Business System

By THEODORE M. KNAPPEN

**R**OBERT LA FOLLETTE, radical Senator from the State of Wisconsin, may become president of the United States.

Or—which is practically the same thing—a La Follette candidate, stamped with the La Follette characteristics and principles, may be elected.

A third party movement may sweep him into the presidency on a tidal wave of votes—if both the old parties nominate reactionaries. Or the election of a president may be thrown into the House of Representatives for lack of a majority electoral-college choice, and La Follette or a La Follette man may be elected there. Or La Follette may be able to force the nomination of a man of his stamp through his leadership of the Progressives in Congress.

Let it not be forgotten that La Follette is the "master mind" behind the flood of Congressional investigations that have been and still are rapidly undermining public confidence in the old régime in every phase and form. This fact alone may be enough to make him tower head and shoulders above any presidential possibility now in the field.

The United States and France are about the only countries in the world that have not been subjected to a radical revolt, constitutional or otherwise, since the war—and they may not be immune. England is just getting hers. What will ours be like? If it is the La Follette kind, it is easy to predict.

La Follette has been just the same kind of a radical for forty years that he is today, and his record proves that La Follette seeking a public office and La Follette filling one are identical. So, if the next Ides of March find La Follette or a La Follette man in the presidential chair, where there has not been a radical since Abraham Lincoln, unless Roosevelt be the exception—and La Follette says Taft was more of a progressive than Roosevelt—we may be prepared for the shock by examining La Follette's platform.

The 1924 edition of that essentially immutable platform is just hot off the typewriter of the Wisconsin La Follette candidates for election as delegates to the Republican National Convention probably written by "Fighting Bob" himself. Its "philosophy" is the philosophy of La Follette's entire public life, and its major premise is: "*The great issue before the American people today is the control of government and industry by private monopoly.*" Further clarification of the issue follows:

*"The tyrannical power which the American people denied to a king, they will not longer endure from a monopoly system. The people know they cannot yield to any group the control of the economic life of the nation and preserve their political liberties. They know monopoly has its representatives in the halls of Congress, on the Federal bench and in the executive departments; that these servile agents barter away the nation's natural resources, nullify acts of Congress by judicial vote and administrative favor, invade the people's rights by unlawful arrests and unconstitutional searches and seizures, direct our foreign policy in the interests of predatory wealth, and make wars and conscript the sons of the common people to fight them."*

After some more "ringing words" in denunciation of the usurpation of law-making by the courts; the boundless pros-

perity of the corporations being contrasted with 230,000 farmers dispossessed of their farms and 375,000 holding them by grace of the mortgagors—the former condition being the cause of the latter—the platform gets down to the business of destroying "the economic and political power of monopoly" by these specific planks, condensed therefrom:

I. A complete house-cleaning in the Department of Justice to the end that it may apply itself energetically to crushing private monopoly.

II. Recovery of all the public domain which has been fraudulently or wrongfully transferred to private hands.

III. Immediate repeal of the Esch-Cummins act and then public ownership of the railways.

IV. Rigid economy in public affairs, to be accomplished chiefly through the sweeping curtailment of the army and navy.

V. Reversal of the Mellon tax plan, through large increases in the inheritance tax rates on large estates (to prevent accumulations of great fortunes by inheritance), excess profits taxes and complete publicity of Federal tax returns.

VI. A constitutional amendment making the re-enactment by Congress of a law pronounced unconstitutional by the courts free from further review by the courts.

VII. All federal judges to be elective—terms not longer than ten years.

VIII. Sweeping tariff reductions.

IX. The prohibiting of "gambling" by speculators and profiteers in agricultural products.

X. Reconstruction of the Federal Reserve and Farm Loan systems "so as to eliminate control by usurers, speculators and international financiers."

XI. Immediate reduction of railway rates on agricultural products to pre-war levels.

XII. Adjusted compensation for the veterans of the World War, "and we demand

## IS THE ELECTION OF A LA FOLLETTE CANDIDATE IMPOSSIBLE?

—If both the Old Parties name Reactionaries, a third-party movement might swing a LaFollette man into the Presidency on a tidal wave of votes.

—Or the election of a President might be thrown into the House, and the dominant LaFollette element there decide the issue.

—Or the LaFollette influence might prove powerful enough to force the nomination of a LaFollette candidate.

that the money necessary to meet this obligation be raised by taxes laid upon wealth in proportion to ability to pay."

XIII. Constitutional amendments making the nomination and election of the president by direct vote of the people.

XIV. Extension of the initiative and referendum to the Federal government, and especially a referendum on an issue of war or peace.

XV. Abolition of every trace of "dollar diplomacy."

XVI. Revision of the Treaty of Versailles; agreements with all nations to abolish war and conscription, to reduce military armaments, and to submit declarations of war to their peoples.

XVII. Public ownership of water power, and public control of all the nation's resources, including coal, ores, oil and timber.

XVIII. No court injunctions in labor disputes.

Not much sedative in those eighteen points for Wall Street. With a La Follette president in power he will find sanction in them for a veritable crusade against Wall Street and all its interests and concerns. The attorney general will proceed to pillory every great corporation that the Federal Trade Commission ever did or ever will suspect of any sort of a practice in violation of the anti-trust laws. Collateral declarations show that prosecutions will be aimed at severe punishment by imprisonment of officers, and the Sherman anti-trust law, which La Follette regards as the greatest act of Congress, will probably be endowed with an extra row of tearing teeth. The Federal Trade Commission will likewise receive improved dentition and will be created into an absolute dictator of business practices, ethics and, of course, "ideals."

The railways will first be introduced to a panic of investors in their securities by means of ruinous reduction of rates. The predatory rich being thus preliminarily tortured will then be destroyed, so far as their existence depends on the rails, by expropriation at about two-thirds of their physical valuation—judging from what La Follette thinks about the I. C. C. valuation. Railway stocks will thus be removed from the corrupting influence of investors and speculators.

By abolishing speculation in all agricultural products the cotton exchanges will cease to exist and Wall Street will be taken out of cotton. To the extent that Wall Street is interested in wheat, corn, pork, etc., its vocation and avocation will be still further circumscribed.

As banker and financier Wall Street will lose all interest in life except a vindictive one. It will lose its grip on the Federal Reserve System, and the Farm

**H**E is no longer young, and today finds himself ailing in health. Yet he typifies a contingent which may have acquired sufficient power to dictate the selection of the next President of the United States.

Loan System will be so broadened and liberalized that the investment bankers will have about as much chance to continue their services as a church mouse has for regular meals.

Wall Street will no longer have an opportunity to fatten on the sweat of the laborer by means of exploitation of natural resources, for the Government is to take over all water power and water-power development and will assume control of all the industrial ores—which is to say, rigid regulation of iron, copper, zinc, etc., mines and mining; timber and lumber manufacturing, pulp and paper and their manufactures will be similarly adminis-

tered; and there will be no more oil scandals, for the government is going to take over oil.

The 1924 model of the La Follette platform does not specify how natural resources are to be administered by the Government, but La Follette himself has specified. Listen: "The control of limited

sources of raw material, like coal, iron ore, timber, by a manufacturing corporation should be broken up, and these resources should be opened to all manufacturers on equal terms."

If any minion of Wall Street succeeds by reprehensible shrewdness and demoniac energy in extracting a few dollars through any dollar-distributing channel that may yet be left to him he will not yet be out of the woods of financial terrors. The taxation system is to be arranged in the first place so that he will pay the ex-soldiers full compensation—no piffing \$1,000 insurance compensation, but full "industrial compensation"—not only for the purpose of getting some easy money out of him but to make him a confirmed pacifist.

In the next place, if he manages to come to his grave through the gauntlet of prohibitions of earnings and depletions by taxation with anything more than the "common people" permit, they will take it away from his estate and thereby save his son from the temptations of inherited wealth and the people from the menace of vast accumulations of wealth in hands that did not earn them.

Should he be optimistic enough to engage in some industrial pursuit necessitating the employment of others he will be justly at their mercy, for injunctions in labor disputes will be forbidden.

Should a wayward Congress at any time essay to give him relief from progress the initiative and referendum will be an ample corrective. Should the courts dare to maintain constitutional rights, a Congress, subject to recall, will promptly vote away any such rights that a judiciary in politics may chance to discover. Should he venture into a foreign investment our foreign ambassadors and ministers will ignore his appeals if he be wronged, and will confine their energies to bringing about an agreement whereby the United States will take a referendum on war and peace. But for fear that something untoward of a dollarish tinge might happen anyway, the innocuousness of America abroad will be amply insured by the reduction of the army and navy to futile proportions.

By way of avoiding any friction with foreign powers we will undertake the little task of rewriting the treaty of Ver-

(Please turn to page 1068)



# How to Apply the Scientific Theory of Switching to Concrete Cases in the Present Market

A Practical-Minded Scrutiny of the Comparative Merits of Many Securities Active in the Market Today

By BENJAMIN GRAHAM

**T**HE idea underlying security switches is a simple one. The investor or trader sells an issue he owns and buys another in order to obtain some definite advantage. The benefits sought may fall under one or more of the following heads:

1. Increased Security,
2. Larger Yield,
3. Greater Chance for Profit,
4. Better Marketability.

The ideal switch will secure the advantage desired without any offsetting loss. As a practical matter, however, it is often advisable to take a small sacrifice in one direction in order to effect a very substantial improvement in another. Almost always it pays to accept a small decrease in yield if accompanied by greatly enhanced security. At times also, one is justified in transferring to an investment of slightly lower grade if the increase in income return and profit possibility is considerable.

In this article it is intended to point out the various types of switches which have been found to be desirable, to discuss some of the principles underlying each type, and to illustrate them by both past and current examples.

## Switches That Would Have Been Profitable

From time to time it is possible to establish the wisdom of a general form of switch applicable to a great many securities of a particular class. An excellent example is found in the bond market of 1921, when obligations of the highest grade were selling at an extremely high yield. It was evidently advantageous for investors to assure themselves of these high yields for as long a period as possible. Hence long-term issues were more attractive than short-term ones, and a general exchange from short maturities to long-dated obligations was bound to result profitably. To give the classic example, holders of VICTORY NOTES who switched from this issue at 98 into the long-term

LIBERTY 4½s at 87, thus obtained a 4.90% return on U. S. Government Bonds for seventeen years instead of two years. This benefit is now measured marketwise by an advance of 11 points in the price of the long-term issue.

Other comprehensive switches of a less obvious character sometimes suggest

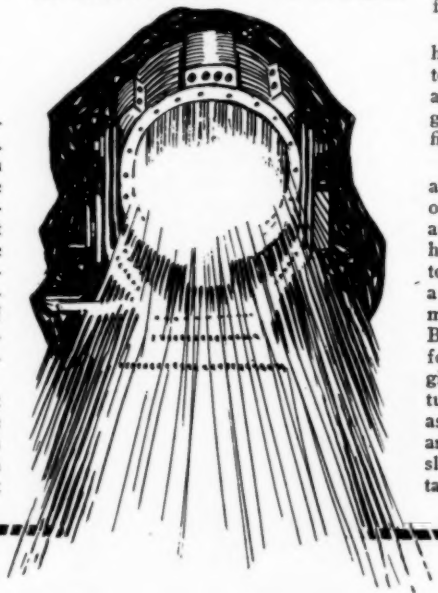
themselves. An unusually clear-headed analyst might have seen ten years ago the great advantages to be gained by a general exchange from railroad stock into industrials. Last year a number of shrewd investors seized the opportunity to switch back into low-priced railroad shares when these were in an especially favorable position.

The exchanges mentioned above would have proved desirable for every investor; but in examining the security lists of an individual it is often found that some general type of exchange may be justified by his or her particular situation.

For example, a widow may be left an assortment of second-grade securities, all of which might have constituted rather attractive speculative commitments for her husband, but which are indubitably too risky to be held by herself. Hence, a general exchange into safer, if less remunerative, issues is obviously required. But, conversely, a business man who has for some time confined his purchases to gilt-edged issues yielding very low returns, might quite properly decide to assume the burden of careful selection and continuous supervision, as well as a slight unavoidable hazard, in order to obtain a substantially higher income return.

In his case a wholesale exchange from 4% to 6% issues might well be justified by the special facts.

Under this heading, too, reference should be made to the important element of tax status. Undoubtedly there are many original subscribers to LIBERTY 3½s to whom the surtax exemption is of slight importance, and who could increase their yield substantially by switching into the 4¼% issues at a negligible difference in price. On the other hand, a number of wealthy investors still include in their security list bonds of the type of ATCHISON GENERAL 4s, yielding only 4.65%, subject to normal and surtax. Deducting 8% normal tax, the yield is cut to 4.22%—less than that of LIBERTY 4½s, which are free from normal tax and enjoy certain surtax exemptions. In other words, wealthy investors can in-



## PUTTING THE SEARCHLIGHT ON VALUES!

Switching from comparatively weak securities to others that are comparatively strong is, after all, the basic idea in sound investing.

This article not only explains how to identify "weakness" and "strength," but it gives specific instances illustrative of its theme.

The views expressed here should not be construed as speculative recommendations, but rather as investment conclusions reached after a careful comparison of individual security-values.

crease their actual income by switching from gilt-edged railroad issues into Liberty Bonds or completely taxfree municipals.

#### Switching Into Senior Convertibles

The inherent advantages of convertible issues have frequently been stressed in these pages. As compared with the corresponding common shares, they provide the same opportunity of profit with much small risk of loss. Nevertheless, it is a curious fact that the public is still lacking in appreciation of the merits of convertible issues. The market price of such securities rarely reflects any considerable premium for the potential value of the conversion privilege (as distinct from the immediate conversion parity).

For example, DETROIT EDISON 6s, due 1932, will be convertible into common stock, par for par, after December 15, next. The common stock is currently selling at 105, and has reached 118 as recently as 1922; yet the 6% debentures can be bought at 104 to yield 5.40%—a price and return which reflects merely the strong investment rating of the issue, with scarcely any allowance for the undoubtedly attractive conversion feature.

Furthermore, the writer has found it extremely difficult to persuade the typical common stockholder to make even a slight and temporary sacrifice of income return in order to secure the added safety provided by a senior convertible issue. A few weeks ago, U. S. REALTY & IMPROVEMENT 7% PREFERRED (convertible into common at par) was selling at 103, with the common, paying 8%, at 102. Few common stockholders availed themselves of that opportunity of exchanging into the preferred shares, because they were unwilling to pay the one point difference or to accept a 7% dividend for a while instead of 8%. Yet the strategic advantage in holding the convertible preferred stock instead of the common is so great as to make the cost of the exchange an inconsequential factor. The preferred stockholder is virtually guaranteed against any cut in dividend or substantial market decline, while enjoying a continuous option of changing back into common stock if any favorable developments make this desirable. At this writing, Realty Preferred is selling at 102½ and the Common at 96, so that an exchange made at one point difference would already have been amply justified.

In this matter of convertible issues, we are

### THE UNDERLYING IDEA

"The idea underlying security switches is a simple one. The investor or trader sells an issue he owns and buys another in order to obtain some definite advantage."

dealing with such an ingrained prepossession on the part of investors that a special effort seems necessary to set the matter forth in a logical light. In the past five years, the writer has observed countless instances, where by switching—say from GENERAL ASPHALT common into the convertible preferred, or from SOUTHERN PACIFIC stock into the convertible bonds, or from PRODUCERS & REFINERS common into the participating preferred, all on about a parity—the stockholder could have saved himself a very substantial loss, or, otherwise stated, could have reversed his position later at a considerable profit. And in the nature of things, there is no example on record of such switches resulting in more than a nominal loss.

Why then the reluctance of investors to embrace these opportunities? A psychologist might explain the situation as follows: A man buys or holds a common stock because he believes it is going to advance. If you suggest that he switch into a convertible bond or preferred stock, to guard against loss in a market decline, the idea will not appeal to him, because he does not think the common is going down. We may contend that, even admit-

ting the probability of an advance in the common, it would still be wise to pay some slight insurance charge against the possibility of a drop—but this argument usually appears too refined or complicated to be effective.

I recall vividly an incident in April, 1920, when I pointed out to a large holder of CONSOLIDATED TEXTILE common, then selling at 45, that at a cost of only one point he could switch into an equivalent amount of the Convertible 7% Notes, due 1923, quoted about par—and thus combine all the price protection of a short-term note with the privilege of participating in any further rise in the stock. His reply was, "I am sure the Common is going to 60, so why should I waste the extra point?" The wisdom of "wasting" the extra point became evident before the year was out, for the common dropped thirty points to 16, while the notes declined the equivalent of only four points and were retired a few months later at 102½. The switch suggested would have netted a handsome profit.

Let us apply the moral of this harrowing tale to a current situation. Would it not be prudent for a holder of ILLINOIS CENTRAL COMMON to switch into the CONVERTIBLE PREFERRED, even though he pay a fractional price difference and accept provisionally a one per cent lower income return? "Silly suggestion" retorts the typical common stockholder, "Illinois Central has been doing exceptionally well; the 7% dividend is absolutely safe; the stock is cheap rather than dear; so why should I throw away one per cent a year by switching into the preferred?"

He is indeed a bold man who can predict with absolute assurance future market action of any common stock. After all, only last December Illinois Central sold below par—five points under the preferred—and in 1921 reached as low as 85½. The idea underlying this switch is not to turn a seven per cent investment into a six per cent one, but rather to provide a temporary position of safety from which the investor may observe market and railroad developments for a year or so. If a general decline should occur—something which, alas, is never impossible—he will undoubtedly be able to switch back into the common at a substantial difference in his favor. If all goes well, and the impregnable strength of Illinois Central's position is reflected in an advance to, say, 120, he can exercise his conversion privilege and get back his common stock, at a small net cost for the valuable intervening protection.

### THIS ARTICLE CONTAINS PRACTICAL SUGGESTIONS TO HOLDERS OF THE FOLLOWING SECURITIES:

#### BONDS:

Atchison 4s	Rock Island 4s, '54
St. Paul 4s, '25	Inter. Rap. T. 5s

#### PREFERRED STOCKS:

P. S. Corp. N. J. 7%	Ill. Central 7%
Cal. Petroleum 7%	Foundation Co. 7%

#### COMMON STOCKS:

Detroit Edison	Ontario & Western
Illinois Central	D. L. & W.
Foundation Co.	Pittsburgh & W. V.
Cal. Petroleum	Anaconda Copper
New Haven R. R.	Ray Copper
Am. Ag. Chemical	
General Electric Co.	

A more striking situation of the same kind is presented by the FOUNDATION COMPANY issues—though the public's interest in these is relatively small. The 7% Cumulative Preferred sells at 93, and is convertible into one and a quarter times as many shares of common, paying \$6 and quoted at 74. The owner of ten shares of common could switch into eight shares of preferred for practically the same money. He would still have the right to get back his ten common through conversion (at any time up to December, 1925), but meanwhile would enjoy a much stronger investment position. If by any chance the common should again decline below 60, as it did last year, he could undoubtedly sell out his preferred and buy back the common at a very handsome saving.

An unusual switching opportunity is presented to owners of CALIFORNIA PETROLEUM common who can replace their holdings by the Participating Preferred stock at an actual cash profit—and thus obtain greater security without any cost at all. California Petroleum 7% Cumulative Preferred sells at 98 (par \$100) and participates equally with the common (selling at its par, \$25) in all dividends above 7%—one share of preferred being equivalent to four of common.

In other words, the preferred cannot receive a smaller dividend than the common; but for ten years the preferred paid an average of 7% while the common stockholders received nothing. The greater assurance of dividends on the preferred, together with the right to participate equally with the common in any increase, should entitle the preferred to sell appreciably higher than the junior shares. Nevertheless, the market has actually been paying more for the common. As the only possible excuse for this anomaly,

we might mention that the preferred is callable at 120—twenty-two points above the present price. Considering that California Petroleum has a good-sized bond issue and has been spending money freely on plant account, the redemption of the preferred shares would appear a contingency of the remotest sort. It should be added that in former markets, when this issue (and the similar PRODUCERS & REFINERS PARTICIPATING PREFERRED) sold on a parity with the common, a switch into the senior issue would later have shown substantial profit.

Listed under this heading (in Table II) is one which partakes of the characteristics of the switches discussed above—namely, that from PUBLIC SERVICE CORPORATION 7% PREFERRED, to PUBLIC SERVICE ELECTRIC guaranteed 7% preferred. Since dividends on the latter are guaranteed by Public Service Corporation, this issue is virtually a bond, and ranks ahead of the parent company's preferred stock. Nevertheless, the guaranteed issue can actually be bought slightly below the price of the ordinary preferred, although it is clearly entitled to sell at a higher level. ARMOUR & COMPANY (DELAWARE) guaranteed preferred, for example, is quoted ten points above the price of ARMOUR & COMPANY (ILLINOIS) unguaranteed preferred.

But the field of desirable switches is not restricted to securities of the same company, such as heretofore considered, though these can be supported by more direct and simple arguments than any others. Most security exchanges involve two different companies and hence usually require a rather elaborate comparative analysis of both enterprises. But in discussing our various recommendations—which are intended to be representative rather than comprehensive—we shall have

space to consider only the salient features of each case.

The switch to increase income is illustrated in our table by that from ARCHISON 4s at 87 to READING NEW 4½s at 89. Here we have two issues of the highest grade. The Reading 4½s still wear an air of novelty, because of their recent appearance as a result of the coal segregation. Hence they yield nearly one-half per cent more than other standard bonds of the same class. Eventually they should sell on the same basis as the Atchison 4s.

The exchange of St. PAUL 4s of 1925 into St. LOUIS SOUTHWESTERN 5s, due 1952, at about the same price, is recommended in the interests of caution. There has been considerable buying of the St. Paul 4s by those hopeful of making a large profit in a year's time through their repayment at par. Yet a calm survey of the situation indicates that the redemption of this issue in cash next year is rather improbable; and that an involuntary extension is most likely, failing which a receivership might not be at all unthinkable.

The bondholder who bought this issue long ago for investment, now finds himself in a highly speculative position, with wide market possibilities in both directions. It would seem most prudent to take advantage of the twenty-point advance registered by this issue in the past year, by switching into a well protected 5% bond at the same price, such as St. Louis Southwestern Terminal 5s. This would mean accepting a one per cent higher coupon in place of the very speculative chance of a rapid price advance (not a bad offset), and at the same time effecting a great improvement safetywise.

Somewhat the same principle underlies the suggested switch from ROCK ISLAND (Please turn to page 1082)

Table I. CONVERTIBLE-PARTICIPATING ISSUES

Switch From				Switch Into			
	Price	Dividend	Yield		Price	Dividend	Yield
Cal. Pet. Com.....	25	\$1.75	7.0	Cal. Pet. 7%....	98	\$8.00	8.1
Ill. Central Com...	105	7.00	6.4	Ill. Central 7%..	105½	6.00	5.7
Foundation Com...	74	6.00	8.1	Foundation 7%..	93	7.00	7.5

Table II. BOND AND PREFERRED STOCK EXCHANGES

	Price	Yield		Price	Yield
Atch., Top. & S'ta Fe, gen. 4s 1995.	87	4.60	Reading gen. & ref. 4½s 1997.....	89	5.10
Chicago, R. I. & Pacific ref. 4s 1934.	77	7.46	"Nickel Plate" System—Tol., St. L. & W.		
			4s 1950 .....	79	6.40
Interboro Rapid Transit ref. 5s 1966	65½	7.80	{ B'klyn-Manhattan Transit 6s 1968	78	7.75
Chicago, Mil. & St. Paul 4s 1925....	86	15.00	{ Third Avenue R. R. Ref. 4s 1960..	55	7.70
Public Service Corp. of N. J. 7% Pfd..	98	7.1	St. Louis Southw't. Terminal 5s 1952.	83	6.25
			Pub. Serv. Elec. Power Corp. gtd. 7% 96½	72	

Table III. COMMON STOCK EXCHANGES

	Price	Dividend	Yield		Price	Dividend	Yield
New Haven .....	18	—	—	Kansas City Southern .....	18½	—	—
N. Y., Ontario & Western.....	17	—	—	Wabash .....	17	—	—
Del., Lackawanna & Western.	116	6	5.1	Reading .....	55	4	7.2
Pittsburgh & West Virginia..	44½	—	—	Pere Marquette .....	41½	4	9.6
Anaconda Copper .....	32	—	—	Kennecott Copper .....	35	3	8.5
Ray Consolidated .....	9½	—	—	Wright Aeronautical .....	10½	1	9.5
Am. Agric. Chemical .....	10½	—	—	Atlas Tack .....	7	—	—
General Electric .....	220	8	3.7	Westinghouse Elec. & Mfg....	61	4	6.5

# How the Loan Sharks Still Fatten on Men's Misfortunes

The Methods They Use in Circumventing the Law—Some Pointed Advice to Would-Be Borrowers—A Typical "Loan" Deal

By W. SHERIDAN KANE

**H**UNDREDS of millions of dollars in excessive interest charges are exacted each year by money lenders—loan sharks—directly from individuals or small business firms, but indirectly and in the final analysis from you and me, from the man next door and the young fellow across the street. The toll must be paid, and then absorbed—distributed—passed along. The money lender has his pound of flesh, and there is no kindly Portia at hand to decree that he draw no drop of blood in the process.

Various agencies are persistently endeavoring to stamp out this particular type of financial boll weevil, and to a moderate extent have succeeded here and there in securing the enactment of legislation that hampers or eliminates this or that phase of the activities of the pest. But the legislative laboratory has yet to formulate the legal *calcium arsenate* that will exterminate him.

## Why they Still Survive

The difficulties that attend coping properly with the evil are inherent ones. The man who has never been a victim is disposed to take a careless view of the subject. The poor devil in the clutches has no wish to reveal his plight, and it usually is disclosed only after the final catastrophe of bankruptcy—or the other horrid "easy" way out. In this, the comparison of the loan shark with the boll weevil seems particularly apt, for the cotton boll scarcely intimates its weevil-infested condition until the time approaches for it to open. Then, instead of the expected store of fleecy wealth there is only corruption.

So, those who are disposed to extirpate the loan shark find an unresponsive public to look to for assistance, unresponsive because it is made up of victims who are "through"; prospective victims who, being still hopeful of getting out of difficulties, dare not let it be known to their associates and competitors that their affairs are not thriving; and the third, larger class of our citizenship that has never been up against the loan shark and knows full well in the vanity of its own conceit that it never will be. Yet somehow there are always new victims.

The loan shark does not blatantly advertise himself as a lender of funds on dubious collateral at usurious rates. He is a retiring, weevil-like individual. He hides, he hibernates, he masquerades. As much as possible he keeps in the back-

ground, dealing with his "clients" through salaried representatives. He even stamps himself an "agent" or "attorney in fact," which doesn't mean attorney in the legal sense—though using it is part of the lender's buncombe—but means merely that he has a power of attorney to lend his principal's funds.

With all this he finds plenty of borrowers and in this the vestige of truth that salves his conscience when he tells each new victim that it was a question with the "board" whether to approve the

scandalism might well have added "or lend money at usurious rates of interest"—transcendental interest, as it were. For search the newspapers, scan your mail ever so closely, watch the window signs, the board bills, the office door letterings, and you seldom observe anything that suggests the lending or urges the borrowing of money at a higher rate of interest than the law countenances.

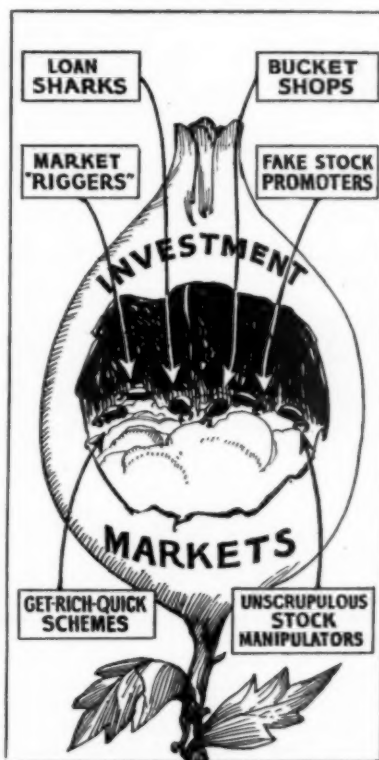
It is true that you will find small eye-catching advertisements in the classified advertising columns of the newspapers—where they will snare the notice of the man out of work or the seeker of a better job—explaining that money will be loaned at legal rates on salaries or other collateral "with absolute secrecy," the loan to be repaid in small instalments. But these are traps for the poor and ignorant, or the low-salaried man with ambitions but without that levelling common sense that in time will bring his tree of ambition to the season when it will bend and burgeon with golden fruit. The higher type of loan shark is content with "John Smith, Loans Negotiated" or possibly just plain "John Smith" on his shingle. The world of borrowers makes its own pathway to his door.

## Who Goes Bankrupt?

Study the bankruptcy schedules of small business men or the vast number of bankruptcy schedules filed by individuals and see how frequently the bankrupt would be solvent but for the item of loans due to individuals. Not that all the "loans" scheduled by bankrupts are to loan sharks. Far from it. But often they represent the lendings by friends and relatives who have scraped up enough to pay off the loan shark, hoping thereby to enable the victim to regain his feet. As a rule, this help comes too late, but the loan shark gets out with a whole skin. In fact, it has been found that many of these loans by friends and relatives have been at the suggestion of the loan sharks—this being one of the best tricks of his trade. Taking a typical case:

A young business man overbought himself, as young business men often do. He hadn't learned that the best way out for a merchant who has overstocked his shelves and finds the market weakening is to clean out his shelves at a sacrifice—that the practice of taking losses in such cases proves on the average the best policy,

(Please turn to page 1077)



BORING FROM WITHIN

loan or not but that he had personally urged it. He feels that he has done a particularly gracious act—and he wants his victim to realize it as well.

As Emerson saw it a man had to build a better mouse trap or do some other little thing far better than any of his fellows before the world would beat a path to his door. The great apostle of Tran-

## Our Platform:

### “A Square Deal for Corporation Stockholders”

1) We believe that a corporation's reports should be issued at the most frequent intervals consonant with the character and volume of that corporation's business.

2) We believe that, no matter how few or how many times in the course of a year a corporation's report may be filed, that report should give and could give a clear idea of what

the real contribution to the year's results actually was from the period covered.

3) We believe that, in the annual report, every important branch of a corporation's financial position, and every important feature of its earnings results, should be brought out in full—without fear or favor—for the whole investing world to see.

## The Unfair Practice of Filing Incomplete Financial Reports Should No Longer Be Condoned by American Corporations!

### Effort Should Be to Make Sound Investing Easier Rather Than More Difficult

#### 2.—What the Stockholders of Del. & Hudson and Consolidated Cigar Might Have Been Told

**S**OUND investing is not easy. There is no royal road to a knowledge of it. One does not merely say, “I will be an investor”—and then wake up the next morning to find he has become one.

Sound investing presupposes a rather vast amount of learning. It presupposes a considerable knowledge of economics. One must be in close touch with business activities and enjoy an accurate knowledge of business conditions. Also—and perhaps this is the most important prerequisite—one must have access to accurate and thorough-going information concerning the companies invested in.

With sound investing the difficult part it is, one might suppose that all corporations of the higher grade would hesitate to further complicate it. It is generally admitted that, fundamentally, these corporations owe their original creation to investors. It is generally admitted that they are reliant upon investors for their continued existence. Without investors the corporations could not have been launched and without investors most of them could not survive. Therefore, one might suppose that their directors would go out of their way to aid investors, rather than hamper them.

The supposition becomes stronger when the investors happen to be “stockholders.” For, in such case, they are partners in the enterprise and as such deserving of frank cooperation, rather than antagonism.

But do all corporations try to make sound investing easier in this way? Do they, in any full sense, live up to their obligations and refrain from practices calculated to make sound investing more difficult? Do they recognize the rights of stockholders and treat these stockholders as partners—as they should be treated—fairly, frankly and without compromising reservations?

In some cases, yes. In other—and all too many other cases, no!

Corporations which, in all other respects, enjoy and deserve reputations of the first water will, by policies followed in their financial reports, do more to complicate sound investing than all the other difficulties attendant upon such investing put together.

They will release financial reports covering Income Accounts, for a full year's time, which will give stockholders a totally erroneous impression of actual results. They will dismiss the subject of vastly important subsidiaries without a word as to the actual earning power and financial condition of those subsidiaries. They will file intermediary reports, at odd times during a year, which give a certain vivid impression of what the year's results will be; then, at the end of the year, they will file “complete” reports which show results of a wholly different nature.

Such practices as these on the part of irresponsible, fly-by-night promotions

would be readily understandable. Such practices as these on the part of those whose interests are *opposed* to the interests of investors would be readily understandable.

But in the cases of *leading corporations*, long established and strongly entrenched, such practices as these are not only totally inexplicable—they are exceedingly regrettable.

They not only make sound investing more difficult, but they also make it increasingly difficult to cultivate public sentiment on corporations' behalf. They not only hamper investors but they also tend to hamper the corporations, and, through them, the vital business of the country.

#### A Case in Point

Take, for example, the case of the Consolidated Cigar Corporation—a ten-million dollar company, or thereabouts, having an annual capacity of half a billion cigars and numbering among its directors such names as Julius Lichtenstein, August Heckscher, Jos. W. Harriman, etc. Here, certainly, is a well-managed company and one which stands at the forefront of its industry.

Now, our files of the *Wall Street Journal* show that, as of September 30, 1923 (note the date), and for the nine months of that year, Consolidated Cigar Corporation reported Operating Profits of \$806,772, Total Income of \$963,635 and a Net Profit of \$519,741. Well and good.

THE MAGAZINE OF WALL STREET

Now, nothing was said (so far as we can discover) in this September 30th report of any extraordinary charge-offs to be made at the end of the year. Furthermore, the last quarter of the year is always a fine period in the cigar business, including as it does the big Christmas sales that occur in December. Finally, against Net Profits of \$881,639 in the first nine months of the previous year, Consolidated Cigar showed a net profit of \$1,055,290 for the full previous year. Altogether, then, investors might logically have been excused for expecting that Net Profits for the full year 1923 would be substantially in excess of the Net Profits of \$519,741 secured in the first nine months.

What actually happened? A glance at the Consolidated Cigar annual report for 1923 will show. Against a Net Profit of \$519,741 for the first nine months of the year, Net Profits shown for the full year were only \$471,983!

There, then, is a rather good example of what we mean by "intermediary reports which give an erroneous impression of a full year's results."

Of course, it would be absurd to say that all companies at all times and under all conditions could achieve a perfect correlation between quarterly reports and annual reports. A lot can, admittedly, happen in three months. Furthermore, it is conceivable that some special development may have interposed between Consolidated Cigar's September report and the report filed at its year's end.

On the other hand, it may be noted that the largest corporation in the world today—the one having perhaps as widely-flung ramifications as any other—the one doing a world business and whose inventory problems are involved and complicated in the extreme: *This huge enter-*

*prise has, consistently and over a long period managed to maintain a well-nigh perfect check-up between its intermediary and its annual reports.* Indeed, in past years to date the figures revealed in this mammoth corporation's annual reports have been *practically the same as those attained by adding the four quarterly reports made during the year.* Certainly if U. S. Steel (the corporation referred to) with all the complexities and problems presented by its gigantic operations, can maintain so high a degree of accuracy, what may we not justifiably expect of the "little" companies, having no such ramifications and perhaps one-half of one per cent of the same difficulties?

Should it still be held, despite the example of U. S. Steel, that special factors would prevent a closer correspondence between quarterly and year-end reports than that exhibited in the case of Cons. Cigar, there remains an obligation which the corporations' directors do not seem to have fulfilled. That "obligation" (as we see it) would be to have given some explanation, however brief, of the amazing discrepancy which occurred. Was the reduction in the year's net profits, compared with the 9-months' net profits, due to the establishment of some desirable reserve? Was it a liberal charge-off on account of depreciation and in the interests of conservatism? Certainly, neither of these possible reasons, if applicable, and frankly stated, would have been anything but praiseworthy. Why, then, could the directors of Consolidated Cigar not have tendered them?

#### The Practice of "Ignoring" Subsidiaries

Another practice all too frequently encountered in corporation accounting (and referred to above) is that of dis-

missing "the subject of vastly important subsidiaries without a word as to their actual earning power and financial condition." In this connection, a case in point seems to be the Delaware & Hudson Railroad.

The Delaware & Hudson R. R., as nearly everyone knows, is one of the greatest hard-coal carriers in the world. It is a corporation with a history as honorable as its properties are (in all truth) magnificent. It is at once our oldest transportation company and one of our most successful. It has paid dividends regularly since 1879, disbursing at the rate of 7% for 27 years to 1907, and at the rate of 9% for the 17 years since.

Investors will remember that, in 1922, and through the early part of 1923, rather grave doubts were entertained in some quarters as to the safety of the D. & H. dividend. President Loree, to be sure, had pointed to the large Profit & Loss surplus held by the road the use of which, he said, "to meet emergencies such as confronted the company during 1922, is one of the purposes for which it has been conserved." Still and all, this was a Profit & Loss surplus, based, among other things, on value of lands, equipment, etc. It was what is sometimes called a "bookkeeping" surplus. Despite President Loree's remarks, investment confidence was unsettled, evidenced by a decline in the stock from the 1922 high of 121½ to the 1923 low of 90.

Then came the road's 1922 report. It showed, among other things, that there was a deficit of \$3,000,000 in Working Capital—in other words, that the road's treasury had been, apparently, sadly depleted. It also showed that, from the year's railroad earnings, there had been nothing left over for dividends on the common shares.

### WHY CONSOLIDATED CIGAR'S SHOWING FOR THE FULL YEAR 1923 SURPRISED INVESTORS

	This is what the Corporation showed for 9 mths. to Sept. 30, 1923	This is what it showed for 9 mths. to Sept. 30 of Preceding Year (1922)	This is what Cons. Cigar showed for the FULL YEAR 1922	And this is all it showed for the FULL YEAR 1923
IN THOUSANDS OF DOLLARS				
Oper. Profit .....	\$807	\$1,120	\$1,528	\$985
Other income .....	157	69	138	147
Total Income .....	\$964	\$1,189	\$1,665	\$1,131
Int. & Misc. Charges .	444	307	495	605
Federal Taxes .....		....	115	54
NET PROFIT .....	\$520*	\$882*	\$1,055	\$472

\* Before Federal Taxes.

The failure of the company to show as large Net Profits for the Entire Year 1923 as were shown for the first 9 months was unexplained in the annual report and is an illustration of what investors sometimes come up against in the matter of financial reports.

Now, it is not the purpose here to attempt to pass upon the wisdom of D. & H.'s dividend continuance at the cost of an apparently depleted treasury, as the company's reports would show to have been the case. That is a question of policy which the directors of a corporation are in office to decide.

It is the purpose here, however, to question whether, especially at this parlous time in D. & H.'s affairs, the directors should not have taken investors more completely into their confidence and frankly and fully informed them as to the whole resources of the road, including its subsidiary, the Hudson Coal Co.—reputed to be one of the richest coal properties in the United States.

Here was a subsidiary property which must have been, and must now be, by all acceptable standards, immensely valuable. Here was and is a subsidiary property whose potentialities as a revenue producer must be, literally, enormous. Indeed, this subsidiary may have been big enough, in these two respects, to more than justify the continuance of 9% dividends by the road even when the railroad itself failed to earn those dividends, and totally regardless of the road's P. & L. surplus. Why have stockholders in the D. & H. not a right to know all about this subsidiary at all times and particularly under such conditions as existed in 1922-23 when the investment standing of D. & H. shares was so much a matter of doubt?

#### How Two Statisticians Figure It Out

How important this information as to the Hudson Coal Co. may be even today is suggested in the following—a rewrite of a discussion of D. & H. recently waged between two highly capable and responsible statistical men. (Aside from its application to the present study, by the way, this discussion will reward a careful reading):

First Statistician: "What do you think of D. & H. as an investment around present prices?"

Second Statistician: "I consider it an outstanding bargain. It is selling

around 108 and pays \$9 a share in dividends. Earnings last year (1923) were \$12 a share, and when these earnings are considered in conjunction with the company's valuable coal holdings, the stock appears decidedly undervalued to me."

F. S.: "I'm hanged if I can see any justification for regarding this stock so favorably. To be sure, the company did earn \$12 a share in 1923. But it reported a deficit in 1922 and had to pay its 9% dividend entirely out of surplus. Moreover, if you will look at the balance sheet as of December 31st, 1922, you will see that Current Liabilities exceeded Current Assets by nearly 3 million dollars. Evidently, then, the company strained its resources considerably in maintaining its 9% dividend through 1922. Now, suppose railroad conditions get bad again. Suppose D. & H. should run into another period of unfavorable operating conditions, such as prevailed in 1922. It would certainly seem to me, judging from the company's showing, that the dividend would have to—well, go!"

S. S.: "Now! Now! You should know

better than that. Have you forgotten that D. & H. owns outright one of the richest coal properties in the United States? Do you think, for a moment, that D. & H. is going to let its dividend 'go' when all it has to do to pay it is to draw upon the coal company for the necessary funds?"

F. S.: "Yes—that's a very fine story. But where are the facts? You could say very much the same thing about a hundred and one other corporations. But could you prove it? For instance, you are suggesting that the Hudson Coal Co. has plenty of cash available for D. & H.'s needs. All right. How do you know that? Just how much is in this coal company's treasury? What is it earning? What did it ever earn?"

S. S.: "Oh, of course, I can't answer that. You know as well as I do that the coal company never publishes any statements showing its earnings or financial condition. Nevertheless, I tell you the Hudson Coal Co. is earning enough to pay D. & H.'s \$9 dividend without taking a nickel from the railroad earnings. That's the real reason why I am so bullish on D. & H. at these prices."

F. S. (somewhat impressed): "Where do you get all this 'inside dope'?"

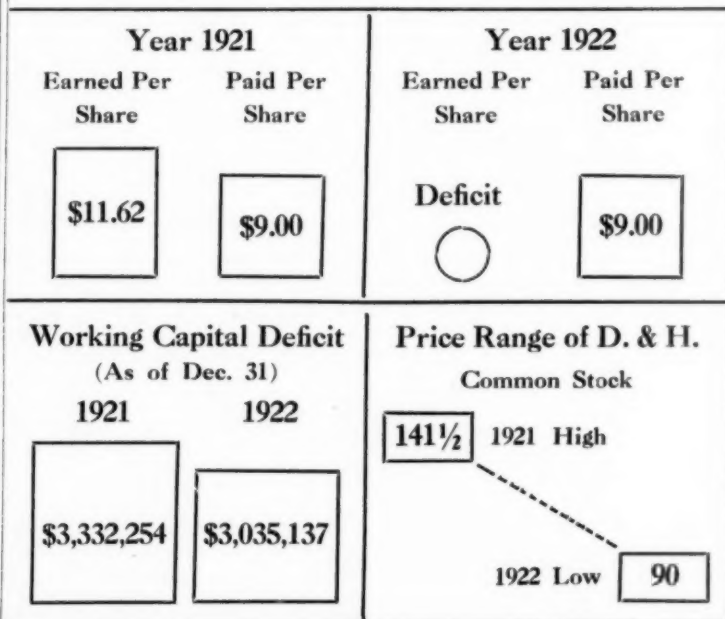
S. S.: "I can't tell you. But I will say it comes from a source in which I have the greatest confidence. And, personally, I am convinced it's true. You can believe it or not, just as you like."

F. S.: "Well, I'm not questioning your word, you understand. But I don't know what your authority is for what you say, so you can hardly expect me to accept it. Personally, I simply cannot base any opinions on statements founded on hearsay and not backed by the official figures. Therefore, until or unless such figures are forthcoming, my advice to investors must continue to be to leave this stock strictly alone."

We repeat: We make no attempt to pass on the merits of either side of the little controversy outlined above. Pos-

(Please turn to page 1082)

### Four Factors Which Aroused Dividend-Doubts Among D. & H. Stockholders in 1922-1923



Especially in view of these portents, investors might have been excused for desiring a full and complete picture of all Delaware & Hudson's resources and earning powers including, of course, those of its subsidiaries. Yet such information concerning the Hudson Coal Co.—a wholly-owned subsidiary and reputedly one of the richest coal properties in the United States—has never been forthcoming.

Corporation policy, in refusing to divulge complete information concerning such subsidiaries is one of those practices to which an increasing number of investors are taking exception.

# The Position of Advisory Services

## And Their Relation to Wall Street's Machinery

A CONSIDERABLE amount of discussion has recently arisen with regard to Advisory Services, a number of different types of which are issued in the financial district. It is therefore pertinent to consider the relation of these Services to the other parts of Wall Street's mechanism, and the extent to which they benefit the public. Their relative position among the more important cogs in the financial machinery is as follows:

(1) The Stock Exchange. (2) The brokerage houses. (3) The large operators and pools. (4) The investing and speculating public. (5) The news tickers, news slips and newspapers, through which developments of the hour or day are transmitted to the public. (6) The advisory services. (7) The so-called "tipsters."

The New York Stock Exchange is a meeting place where its members gather for the purpose of buying and selling for their own or their customers' accounts. After examining evidence of a company's financial solidity, its legitimacy, etc., the Stock Exchange lists a security; authorizes transactions to be consummated on its floor and thereby stamps the enterprise as entitled to consideration by investors and speculators. That is about as far as the Exchange can be expected to go. Any one who studies the statements submitted to the Stock Exchange when securities are listed, and the periodical reports published thereafter, is, provided he be qualified, able to judge for himself as to the past record of a corporation, insofar as concerns its financial position and earning power. From these he may, to some degree, judge as to the company's future possibilities.

### Functions of Brokerage Houses

The members of the N. Y. Stock Exchange who are identified with firms doing a commission business are primarily in the business of executing orders. What is known as a "commission house" furnishes an office, equips it with tickers, telephones, quotation board, news services and other paraphernalia necessary thereto. It receives orders, executes them on the floor, and either delivers the securities to the client or assists him in financing their purchase. Also, in the case of short sales, the broker borrows the stocks to make deliveries. All of these services are paid for in the form of commissions, and the brokerage business is said to pay when these commissions exceed the amount of the broker's expenses.

A practice of the brokerage house is to give advice as to the purchase and sale of stocks and bonds. This is a custom of many years' standing, although there are a few brokerage houses who will never under any circumstances give advice. They say, "It's your money; we will supply whatever facts you desire, but

THE fact that it is impossible to attain 100% accuracy in rendering advice on securities is sometimes cited as proof of its inadequacy. Yet no one would think of expecting a physician to be 100% correct in all his diagnoses or a lawyer 100% correct in all his cases. Physicians, even the best, are known to lose lives and lawyers of the highest reputation are known to lose cases.

Why then should more be expected of the investment expert than from the doctor or lawyer?

In the interest of clearing up a good many misapprehensions concerning this relatively new and important profession of giving advice on securities, we are publishing this article, which we believe to be the most thorough and unbiased of any we have yet seen on the subject.

you will have to form your own opinions; we can't tell you what to do." These few houses are the exceptions.

The giving of advice and furnishing statistics to clients has in late years grown into a tremendous task as well as a very great responsibility. Expensive statistical departments are maintained by most brokerage firms; their size depending upon the nature and extent of the business, and the number and kind of such demands. The broker's attitude toward this business of giving advice will be discussed later.

### Operations by Pools

The stock market is very largely influenced by the operations of important financial interests, pools and individual operators, who, while not giving advice, issue a considerable amount of publicity and propaganda designed to attract attention to their specialties or to influence public opinion. Very often this material appears in the form of news items so prepared that the reader may discern between the lines a suggestion that he buy, sell or remain neutral. Much of this may not be intentional, but most of it must be so regarded. Pools and large operators are not in business for philanthropic purposes. They are simply organized bodies of men who undertake to operate in a profitable way; by the force and magnitude of their transactions they are very often able to influence prices of certain stocks and groups of stocks in which they are working.

### Position of the Public

That vast and unorganized body of people neither floor traders nor professional operators, nor identified with pools, nor otherwise allied with the more dynamic forces of the Street, is known as the investing and speculating public. Whether it be admitted or not, most people who buy and sell stocks for any purpose, belong to this class. Their knowledge and ability to operate successfully ranges from the comparatively few who are thoroughly

experienced and more or less adept at the business, down to the level of those who know little or nothing and are merely taking a chance with a small amount of money.

It is this great public which invests and trades, seldom admitting any other intent than that of "investing," but which is actually, in the majority of instances, endeavoring to realize a profit from the fluctuations of the stock market. It is this public which is the greatest patron of the advisory services, although many of the brokers subscribe thereto in order to fortify their own judgment or to secure additional points of view or suggestions which may aid their business.

### The Advisory Services

A legitimate advisory service consists of an organization which makes a serious and conscientious effort to gather, compile, digest and interpret factors which have a bearing upon the future course of the stock and bond markets. There are numerous types of such services, the great majority resembling each other in principle, and varying as to detail. For the most part, the so-called fundamental factors are used as a basis for building up opinions. These vary from each other according to the experience, ability, foresight and other personal characteristics of the governing personality. Some deal mostly with investments, others largely with money and business conditions, others with technical stock-market conditions, while still others are a combination of all these elements.

It is not within the province of this article to show which service is the most valuable to the investor or speculator, or whether in fact some of them are of any value at all. These are questions which the individual must decide for himself, according to his own desires, ambitions and ability, combined with his own estimate of the individual and intrinsic value of such services.

Advisory services of the more popular



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**LOOKING NORTH**  
Lower Broadway with the Woolworth  
Building in the distance

kind, issued to large numbers of people, are produced and sold at a low annual fee; but a more personal form of service, in which individual holdings of securities are carefully examined and periodically tested and compared, naturally calls for higher fees inasmuch as a greater amount of expert services, trained judgment and other efforts are therein required.

There is a class of people known as tipsters whose so-called "dope sheets" have come under severe criticism, due to questionable practices which some of them employ, such as issuing two letters, one bullish and one bearish, so that whichever way the market goes they at least retain the subscriber who received the correct one. Some of the dope writers have been suspected of other and just as illegitimate schemes, such as pandering to bucket shops by turning over names for a percentage of the spoils, etc.

It seems a habit with some scribes to designate any one who issues market advice as a tipster, just as a person of a certain nationality or religion will cast a slur on those of another; but the fact is, any one who in parts a tip is a tipster, whether he be a writer, a broker, a banker or what not. And that includes everybody in Wall Street. We see no reason why the business of advising people is not entitled to the respect of the community in proportion to the legitimacy with which it is conducted. This is true of all professions.

Regarding the matter in a broad way, it may be stated that all such services have grown out of a demand on the part of the public. The so-called "Tipsters' dope sheets" have, of course, been circulated in Wall Street for many years; but it was not until fifteen or sixteen years ago that the more substantial grade of service began to appear. If we are not mistaken, the first suggestion of this was made on page 34 of the April, 1908, issue of this Magazine, then known as THE TICKET, in which it appeared that there was a demand for unbiased advice and opinions on investment and trading operations. The article was entitled, "Why Not Investment Experts?" It showed that there was an opportunity for those who were thoroughly well grounded in their subject to act in an advisory capacity for a stated fee, just as men in other professions are consulted with regard to affairs in which they are practiced. Within a year or two a few organizations of some standing began to publish advisory material, and from a very small beginning the business of advisory organizations has developed into a large yearly turnover.

The question may well be asked, "Why is the public willing to pay for advice of this kind which in the natural order of things should come from the stockbrokers and the bond houses?" There are a good many reasons. In the first place, a stock broker, although he is practically obliged to do so, would be very glad to be entirely relieved of the necessity of furnishing advice and opinions to clients. At heart, the broker does not want to give advice; he would much rather his clients would call upon him for statistics with regard to capitalization, finances, earning power,

etc., but when it comes to forecasting what a certain stock will do in the market, the broker would usually prefer to be excused.

Bond houses are in a different position. They are dealing with the investment side of securities, not with their prospective market movements; furthermore, the investment of money is a science which is much farther advanced than the science of speculation.

The principal objection that we have heard to the advice given by bond houses is that they usually buy the securities and then sell them to the clients; but this is really an objection only in the case of the weaker and less trustworthy kind of houses. The best class of investment houses not only recommend what they have to sell, but the mere fact that they do recommend is evidence of the soundness of a security.

### Viewpoint of the Broker

The broker whose principal business is the execution of orders to buy and sell stocks on commission (his bond business being, for the most part, secondary, his real revenue coming from stock transactions), would, as we have said, rather not furnish opinions. The fundamental reason is this: If the advice proves erroneous, he is blamed for the resulting loss, whereas in case of a profit the client usually gives the broker little or no credit. The broker realizes that stock-market experts are few and far between, and that to guide, continuously and successfully, a large number of different clients of varying degrees of intelligence, wealth, market experience and other qualifications, is no small task; however, it is something which, through his personal contact with clients, he is reluctantly forced to do.

The broker values most the client who knows exactly what he wants to do and when, so that all the broker has to do is execute his orders. No questions as to a broker's opinion arise with such a client; he does not need advice; he understands his business whether it be trading or investment.

In Wall Street, as in other fields, people show a tendency to lean on someone's else opinion. If a man be recognized as knowing a little more about any subject than another, the opinion of the less informed person is usually subordinated. It is the custom of those who buy and sell stocks to drift from one brokerage house to another, gossiping a great deal with their fellow customers. The typical client, who has begun to trade with someone he knows in a brokerage house, finally gravitates into the house where, after a series of experiences, he receives the best treatment in the way of service, opinions and advice, interest rates, etc.

It would be unethical for any member of the New York Stock Exchange to advertise an intimation that his advice and opinions are better than those of many of his fellow brokers. If he did so, he would find it hard to prove. In his advertisements he must keep within Stock Exchange requirements, and merely offer his services at the usual commission rates.

(Please turn to page 1074)

# Make Every Month an Income Month!

How to Go About It—A Well-Diversified List of Attractive Securities for the Business Man Seeking Both Fair Return and Income Distribution

THERE are so many important details to be taken into consideration in the choice of investment securities that the investor very often neglects what is, in any number of cases, a point that should be given prime consideration. Will dividends and interest be paid when and as needed, or will there be months in succession when nothing is received, due to a poorly planned investment program?

Take the case of those many thousands of individuals who have anywhere from ten to twenty thousand dollars and are partly dependent upon the current investment return. It would be interesting to know just how many have arranged their investments so as to receive a fairly regular income. Undoubtedly the great majority have given this matter no attention whatsoever. They look forward to one or two dividend or interest dates within each year and during the intervening periods are forced to meet current expenses with money held in bank accounts.

The careful investor, however, will take a different course. Every month in the year will be an income month, and the amount of liquid funds that must be kept in the bank to meet current requirements will be materially reduced. He will thus be able to put a larger part of his cash capital to work at more attractive rates of interest, and actually increase his investment return.

## Diversification

Still another advantage is to be had from this method of investing. The security list

that offers a monthly income must by necessity include a number of issues and it is comparatively easy to choose these from among several different lines of business, as can be seen from the accompanying table. In this way the investor may be assured of a fair degree of diversification, and with a little planning he may be able to diversify his list to an unusual extent and still have the monthly return well distributed.

One thing must be guarded against, however. Safety of principal must not be sacrificed merely in order to distribute income. In other words, if a list of good securities cannot readily be found that will give a monthly return, poor-grade issues should not be considered just because they may answer this one purpose. In all cases it is far better to have well secured bonds and stock than merely to

have a monthly income investment list.

Taking for granted that only worthwhile securities will be purchased, the next point to consider is how the individual needs his investment return: in equal amounts monthly, or one hundred dollars one month and two hundred the next?

For instance, some have certain fixed expenses to meet at regular intervals, such as interest on the long-term home mortgage, or the cost of getting a son or daughter off to college in the fall. These individuals would, of course, find it to their advantage to receive the greater part of their income just before the dates needed. Anyone with \$500 in fixed expenses to meet, say on September 1st of each year and whose total investment return amounts to around \$600 annually, should endeavor to arrange his list so as to receive maximum payments during the month of August.

## Ordinary Distribution

The accompanying list of securities offers the investor well diversified bonds and preferred stocks that yield about 6.29% currently on the investment, or an annual income of \$650 on a total investment of just a little over ten thousand dollars. In can be seen from the table at the bottom of the page, just how payments would be received and from what source. The highest in any one month would be \$60 with the smallest monthly amount, \$47.50, a total maximum difference of but \$12.50 during the year.

(Please turn to page 1069)

## A WELL DIVERSIFIED MONTHLY INCOME INVESTMENT LIST

Issue	Par Amount	Cost	Current Yield	Int. or Div. Dates
Armour & Co. Real Estate 4½s of 1939.....	\$1,000	\$850	5.29%	June & Dec.
Great Northern Ry. Co. gen. 7s of 1936.....	1,000	1,080	6.52%	Jan. & Jul.
Milwaukee Elec. Ry. & Lgt. Series "B" 5s of 1961..	1,000	830	6.02%	June & Dec.
Norfolk & South. 1st Gold 5s of 1941.....	1,000	920	5.42%	May & Nov.
New York Dock Co. 1st gen. 4s of 1951.....	1,000	760	5.26%	Feb. & Aug.
West Penn Power 1st 5s Series "A" of 1946....	1,000	900	5.55%	Mar. & Sept
Wilson & Co. 1st 6s of 1941 .....	1,000	930	6.45%	Apr. & Oct.
Baldwin Loco. Works 7% pf. ....	500	575	6.08%	Jan. & Jul.
McCrory Stores 7% pf. .	1,000	1,000	7.00%	{ Feb., May, Aug. & Nov.
Phila. Co. 6% pf. (\$50)..	1,000	860	6.97%	{ Mar. & Sept
St. Louis Southw. 5% pf..	1,000	600	8.33%	{ Apr. & Oct.
U. S. Realty & Imp. 7% pf.	1,000	1,020	6.86%	{ Feb., May, Aug. & Nov.

Total investment, \$10,325. Average current yield, 6.29%.

Annual cash return, \$650.

## HOW INCOME WOULD BE RECEIVED UNDER THE ABOVE INVESTMENT PLAN

January	March	May	July	September	November
\$35.00—Gt. Nor. 7s 17.50—Bald. L. pf. .....	\$30.00—Phila. pf. 25.00—W. Penn. 5s .....	\$25.00—N. & So. 5s 17.50—McCrory pf. 17.50—U. S. R. pf. .....	\$35.00—Gt. Nor. 7s 17.50—Bald. L. pf. .....	\$30.00—Phila. pf. 25.00—W. Penn. 5s .....	\$25.00—Nor. & So. 5s 17.50—McCrory pf. 17.50—U. S. R. pf. .....
\$52.50	\$55.00	\$60.00	\$52.50	\$55.00	\$60.00
February	April	June	August	October	December
\$20.00—N. Y. Dock 4s 17.50—McCrory pf. 17.50—U. S. R. pf. .....	\$30.00—Wilson 6s 25.00—St. L. Sw. pf. .....	\$25.00—Mil. Elec. 5s 22.50—Armour 4½s .....	\$20.00—N. Y. Dock 4s 17.50—McCrory pf. 17.50—U. S. R. pf. .....	\$30.00—Wilson 6s 25.00—St. L. Sw. pf. .....	\$25.00—Mil. Elec. 5s 22.50—Armour 4½s .....
\$55.00	\$55.00	\$47.50	\$55.00	\$55.00	\$47.50

# Can a true balance be struck?



## Would Consolidation Lift the Weak Roads Up or Drag the Strong Roads Down?

Why It Seems Destined to Plunge All Junior Rail Securities Into the Speculative Class—  
How Investors Should Protect Themselves

By H. PARKER WILLIS

**I**N a former article, the peculiar situation that has been produced at Washington in connection with the consolidation of railways under the Transportation Act has been sketched. It was there shown that consolidation, instead of being something immediately imminent, was likely to be deferred for a good while, owing to the presence of serious and genuine legal difficulties, as well as to the fact that few, if any, of the stronger railroads are willing to admit a genuine belief in the wisdom of the plan of consolidation which has been roughly mapped out for, and put forward by, the Interstate Commerce Commission.

It was noted, however, that while the situation is not such as to possess any immediate stock-market significance, the change in the condition of the carriers, which is proposed, would appear to be sufficiently near at hand to afford a basis for the most careful consideration by investors, especially if they are contemplating the purchase of railroad securities with a view to a "long hold."

Precisely what ought to be the attitude of the institutional investor—the insurance company, the trust company and others—or the saver, whether individual or bank, who wishes to purchase securities for the sake of their income with the expectation (other things being equal) of going on as a security holder until the maturity of his purchase. This is the real question, from the financial standpoint, in the consolidation of rail-

ways. The first phase of it which deserves attention is the general issue of a return upon railroad properties. Can it reasonably be expected that the carriers will be allowed to earn a living wage, for the next twenty-five years or so, or not?

### A Living Wage for Railroads

The underlying facts relating to this question are sufficiently plain. Class 1 railroads earned, during 1923, rather less than 5% upon their investment. They made this earning by exhibiting a substantially high grade of efficiency, and carrying an unprecedented amount of traffic.

No doubt it would be possible for them to increase the density of their traffic somewhat, particularly in certain parts of the country, but the volume of freight probably could not be very greatly enlarged. Broadly speaking, therefore, we may say that the present earnings of railroads of the first class are about as large as they are likely to be with rates and fares as now established.

If there should be a distinct reduction of rates or fares over any considerable mileage, the result would be to cut down the net earnings. It is not likely that efforts at greater efficiency, or the development of a greater traffic, would be able to make up for the losses due to reduction of rates.

The first answer, then, to the question whether carriers can obtain a living wage is found in the conclusion to be reached as to whether they will be allowed to maintain existing rates. If they cannot do so, then their earnings will be likely to fall below 5% in about the proportion in which rates are reduced.

This, of course, is a situation which suggests some dangerous possibilities, because of the fact that demand in the Northwest and elsewhere for a cut in rates on farm products or other bulky goods has become so insistent. It may be possible to avoid yielding to this clamor, yet if one attempts seriously to forecast tendencies or consequences he must come to the conclusion that the movement of opinion is, on the whole, toward a lower rate level, which means that in the aggregate the tendency of the actual earnings of railroads at the present time is likely to be downward, regardless of the volume of business.

One of the strongest arguments in favor of railroad consolidation has been furnished, it was supposed, by the fact that economies could be introduced into the resultant "systems." The idea that there can be such economies is attractive and

This is the second of two eye-opening articles by Dr. Willis on the subject of Rail Consolidation. . . . The first article appeared in our issue of March 15, 1924.

apparently logical; but it is one for which experience has hardly demonstrated the existence of a logical basis.

The effort of the Transportation Act was to introduce a new system of rate-making by requiring the Commission to "prescribe just and reasonable rates" fixing the charges in such a way "that carriers as a whole (or as a whole in each of such rate groups or territories as the Commission may from time to time designate) will, under honest, efficient and economical management—earn an aggregate annual net railway operating income equal, as nearly as may be, to a fair return upon the aggregate value of the railway property of such carriers held and used for the service of such transportation."

This was written in the assumption that the roads were to be treated as systems in making rates, and that, when so treated, there would be a reduction in expense or cost as compared with what was necessary when the roads were individually organized. The economy, presumably to be obtained, would result from the elimination of unnecessary executives, the better and cheaper handling of freight, and the elimination of unnecessary and injurious competition.

As to these matters, experience during the war, when general control over the entire railroad system had for the first and only time been obtained, by no means afforded a basis for the belief that there would be either a lessening of management salaries, or of competition, if the latter term should be understood in its broadest sense.

If it should turn out, therefore, that the present deliberations before the Interstate Commerce Commission result in bringing about proposed consolidations somewhat along the lines indicated in a former article, the question may very properly be asked whether there is any influence to be expected upon the value of such systems from the investment standpoint, due to the alleged economies of combination. In fact, a survey of the

"The wise holder of stock in a strong road would surrender some portion . . . and purchase in lieu thereof the stock of the lines . . . likely to be allowed to fatten upon the roads of the stronger variety."

experience of railways during 1922 and 1923 seems to have convinced a good many experts that, if roads are expecting to pay dividends out of savings in expenses, under the consolidation plan, they are likely to be a good deal disappointed.

#### "Conservation" of Freight

The other strong argument which has been presented very vigorously by advocates of consolidation has been that expenses of competition would be eliminated, and that, among other things, freight would be conserved or kept within the power of the transportation system which originated it. If, for example, a certain amount of business had originated, let us say, at points in Pennsylvania, the organization of the railroads on a consolidated trunk-line basis would keep this freight within the general system of transportation of the state and would prevent it from being siphoned off to some road that merely happened to touch the state at a certain point or perhaps crossed a part of it.

Every district would be able to keep its own freight up to the point where it had to part with it because it was passing entirely out of the jurisdiction of the district. Thus the various lines that were consolidated would act as feeders for one another.

Of course, this argument would be a great deal better, if it were not for the

fact that the retention, in a given district or area, of freight which now habitually passes through another, is likely to be paralleled by a similar situation in the territory of that other, so that, as a matter of fact, it is rather difficult to see why conservation of freight would be particularly helpful to one any more than to another.

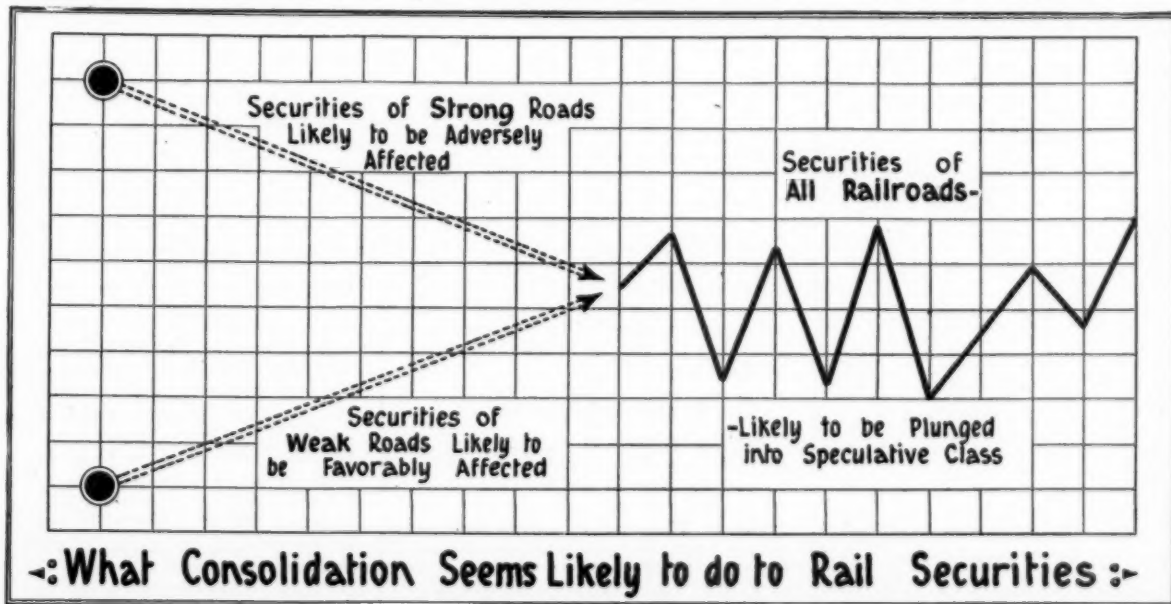
It is impossible for the Interstate Commerce Commission to make something out of nothing, and we may well doubt whether consolidation would, on the average, advantage any particular group of roads or any particular part of the country. There would seem to be as little in this argument from the standpoint of the investor as there is in the other argument which has already been cited. Neither of them offers any reason to expect a larger net revenue as the result of operation, which is the crucial factor in the railroad situation from the investment standpoint.

#### Rates the Real Test

In the last analysis, the long-term investor who has a diversified portfolio of railroad securities (the case with many institutional investors and also with many large private holders) needs to watch little but the development of the general rate level. It is undoubtedly true that the effect of the Transportation Act, especially as it has been interpreted in the "New England Divisions" case, is that of tending to equalize or "spread out" more thinly, the existing revenue derived from the roads as a group.

Up to date, the "recapture clause," whereby surplus revenues of strong roads are to be apportioned to weaker roads through lending, has not come into active effect, and it may be questioned how far that provision can successfully and reasonably be carried. Meantime, it would seem that the action of the Commission in spreading out total revenues through readjustments of rates (as distinct from rate reductions), would not be likely to

(Please turn to page 1071)



# Is L. & N. Slated for a Rise in Dividends?

What's Behind the Strength in Louisville & Nashville Shares?—Relation With Atlantic Coast Line

THE Louisville & Nashville, which operates over 5,000 miles of road, is a subsidiary of the Atlantic Coast Line. The latter purchased 51% of its stock in 1920, and this investment has since proven an extremely profitable one. The two systems work in close cooperation and the arrangement has benefited both companies.

In the early part of 1923, the Louisville & Nashville increased its capital stock by the declaration of a 6½% stock dividend on the \$72,000,000 par value then outstanding. The company had built up a large surplus as a result of its policy in former years of putting back into the property a considerable part of its earnings.

The 7% dividend which had been paid since 1917 was not continued on the new capitalization. It was reduced to 5%, but this is equivalent to 8½% on the amount of stock previously outstanding.

At the time that the present dividend rate was established the following statement was made: "The board anticipates that if net results of operations continue as favorable as in 1922, the rate of dividends can soon be increased." The fact that the stock has not sold below 8¼ since the payment of the stock dividend and its stability in recent months around 90, indicate that the market regards a restoration of the former 7% rate not unlikely. The common stock of a railroad company would not sell on a 5.60% basis

unless there is some possibility of an increase in the dividend.

## Progress of the Road

In 1923, the Louisville & Nashville's gross operating revenues were 136 millions. This compares with less than 60 millions in 1914. Although its mileage has remained practically the same the system has developed a much heavier traffic. In recent years its coal tonnage has increased tremendously.

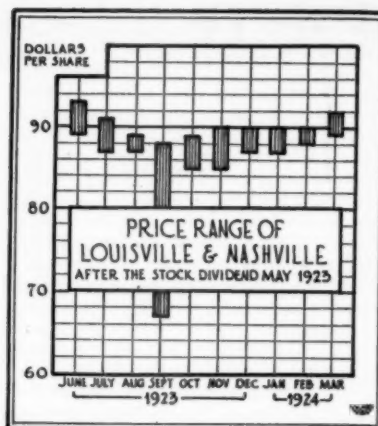
The greater traffic density is in large part due to the economic progress which the South has made during the last decade. It has advanced industrially as well as agriculturally. As a result, most of the roads serving this district are securing a larger income than ever before in their history. The increase in gross revenues has been more marked on the Louisville & Nashville than in the case of any of the southern roads with the exception of the Illinois Central.

The road has always had an adequate amount of equipment. This has resulted in a credit balance for hire of equipment. For many years the per diem charges which other carriers have paid the Louisville & Nashville have materially exceeded the balance which it has been forced to pay out. The ample facilities which it has possessed have also enabled the road to render excellent service and have won for it the support of the population which it serves.

For the year 1923, the Louisville & Nashville earned a net operating income of 20.6 millions. This represented an increase of more than 3 millions over 1922, which had been a very satisfactory year. The percentage of gross revenues spent on maintenance was high and considerably above that of most of the southern railroads. The company's equipment at the end of the period was in very good condition, with a much smaller percentage unserviceable than in December, 1922. It appears that practically all the deferred maintenance with which the road was confronted at the end of the war period has been made up.

## Strong Cash Position

With the addition of other income, and the deduction of fixed charges amounting to approximately 10 millions, there would be available for the common stock 13.5 millions. There are at present 1,170,000 shares outstanding. This makes earnings per share \$11.50 for 1923. This compares with \$9.60 per share in the preceding



years, using as the basis of calculation the company's capitalization after the declaration of the stock dividend.

The Louisville & Nashville's cash position on June 30th, 1923, the latest date on which its balance sheet was published, was very strong. Current assets equalled 61.5 millions, while current liabilities were only 21.7 millions.

The company has spent about 80 millions on additions and betterments in the last four years. Its property has been placed in a condition which will enable it to handle a still larger traffic than is now obtained. It has anticipated the needs of the immediate future and should soon reap the benefits of these large expenditures.

## Conclusion

In view of the high earnings during the last two years and the encouraging outlook, a restoration of the former 7% dividend rate is entirely within the road's ability. Net results of operations have not only continued as favorable as in 1922, but have surpassed them. According to the board's avowed intention of increasing the dividend as soon as conditions warrant it, such action could well be taken. As previously stated the present market price of the stock has already partly discounted such a course. If the old 7% rate is resumed, however, Louisville & Nashville would probably reach par. The policy which a group of directors will decide to follow cannot, of course, be foreseen, but with the situation as outlined the stock possesses very good possibilities.

## ATTENTION!

Readers of THE MAGAZINE OF WALL STREET are invited to send in names of friends who are likely to be interested in financial matters. In exchange for this courtesy, we shall be glad to send free a copy of "Bond Yields at a Glance." This valuable set of tables tells you in an instant the yield of any bond at any price.

## LOUISVILLE & NASHVILLE'S PROGRESS

Years Ended	Gross Revenues Per Mile	Freight Density (In Thousand Tons)
1913, June 30..	\$12,079	1,143
1914, " " ..	12,081	1,116
1915, " " ..	10,245	1,021
1916, Dec. 31..	12,804	1,291
1917, " " ..	15,157	1,572
1918, " " ..	20,226	1,675
1919, " " ..	21,327	1,677
1920, " " ..	25,242	1,858
1921, " " ..	23,251	1,634
1922, " " ..	24,041	1,804
1923, " " ..	27,060	....

Showing growth in traffic over the last decade and increased revenues in which it has resulted.

# How the Rails Are Faring

## Early 1924 Record Satisfactory—Sharp Gain in Net Without Corresponding Gain in Gross Earnings

THE outstanding feature of railroad earnings for February is the greatly improved showing in net operating income. With an increase in gross business of approximately 7% as compared with 1923, net gained 56%. This is a remarkable improvement in operating efficiency, and reflects the use of large sums by the railroads in 1923 in improving the condition of their equipment and roadbeds.

There were, of course, other contributing factors in the month of February which lowered operating expenses, the most important of which was the mild winter. It is not to be anticipated that equally good results in the question of net will be reported in the remaining months of the year. Gross earnings are not expected to keep up the pace set in February, and preliminary reports for March indicate that gross for that month will about equal the 1923 figure. However, given the same gross revenues as last year, the railroads of the country should do very well, provided there are no serious alterations of the rate structure. It is probable that maintenance of equipment expenditures will show at least a 10% reduction in the current fiscal year, which means a saving of around 150 million dollars in net. Higher wages will increase transportation expenses to a certain extent, but there will be a saving in fuel which should largely offset this item. For the first two months of this year gross earnings were just a little under the 1923 figure, whereas net was 20% ahead.

### An Excellent Record

On the whole, returns for the first two months of 1924 must be considered as highly satisfactory. Predictions made by railroad experts that operating expenses would be under better control this year have so far made good. Should there be a moderate recession in business for the balance of the year, the railroads in all probability would still be able to do reasonably well. A falling off in gross of as much as 10% in 1924 could probably be offset by a lower operating ratio.

For the week ended March 1 car loadings totaled 945,049 cars, the largest week's loadings for the first three months of the year. During March loadings gradually receded from this high level, and

for the full month are expected to just about equal loadings in March, 1923.

The Northwestern group was helped by the mild winter in keeping down operating expenses, and as gross was satisfactory, net operating income is the best reported for this month in years. *Great Northern*, for example, reported net operating income of \$668,329, as compared with an operating deficit of \$637,468 in 1923, and for the two months net operating income was nearly a million dollars ahead of the 1923 figure. As *Great Northern* earned over 7% on its stock in 1923, this large increase in net apparently assures the safety of the present 5% dividend unless there is a drastic change in conditions.

### St. Paul's Improvement

Unusual interest is felt in the earnings

#### TWELVE ROADS THAT REPORTED UNUSUALLY LARGE INCREASES IN NET FOR FEBRUARY

	Feb. Net Operating Income	(000 omitted)
	1923	1924
Pennsylvania . . . .	\$3,263	\$6,196
N. Y. Central . . . .	2,999	4,267
Union Pacific . . . .	1,914	2,912
Erie . . . . .	487	1,479
Northern Pacific . . .	def.31	1,466
Chic. & N'th West . . .	358	1,298
New Haven . . . . .	def.329	1,246
St. Paul . . . . .	599	1,373
Miss.-Kans.-Texas . . .	265	915
Great Northern . . . .	def.637	668
Lehigh Valley . . . . .	def.953	692
Texas & Pacific . . . .	def.21	500

of *St. Paul* at this time, for operating results this year will probably largely determine what action will be taken to provide for the 48 million dollar bond maturity next year. February net operating income of 1.3 million comparing with \$599,747 in 1923, was decidedly encouraging and was reflected in higher prices for both the stocks and bonds of this road.

Despite the splendid results reported by *Erie* last year, earnings for the first two months warrant expectations that an even better showing will be made in 1924. In February net was 1 million

ahead of 1923, and for the first two months the increase was 1.7 million.

The sharp improvement in earnings of *New Haven*, which was first noted in the Fall of last year, continues. February net was 1.2 million as compared with a deficit of \$329,693 in 1923, and for the two months net operating income was 2.3 millions as compared with a deficit of 1.1 million in the same period of 1923. For the first time in several years *New Haven* for the first quarter is expected to come within a few thousand dollars of earning its fixed charges. As the financial structure of this company is decidedly weak at the present time, its securities would be rated as highly speculative; but in view of the remarkable improvement in earnings it would appear advisable for investors who are holding these issues at higher levels to retain their holdings at this time. It now appears that this road has a fair chance of working out its salvation.

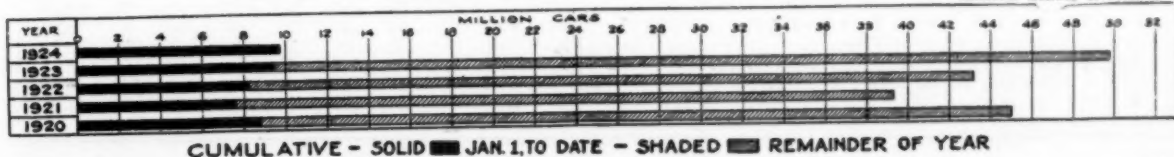
### Increase in Pennsylvania's Dividend?

*Pennsylvania Railroad* continues to reduce its operating ratio which was 82.5% in January and 88.5% in February, 1923. *Pennsylvania* started 1924 with its equipment in splendid condition due to heavy expenditures made in 1923. This year the management plans to keep a sharp watch on operating expenses, and as maintenance can undoubtedly be reduced, the road should be able to do extremely well in net. In February net was 6.2 millions as compared with 3.2 millions in 1923. If general conditions continue favorable, it is by no means improbable that the management would feel justified in increasing the present dividend rate of \$3 a share.

As was also the case in January, the Southwestern roads showed surprisingly good returns. *Texas & Pacific* reported net operating income for February of \$500,868 as compared with a deficit of \$21,568 in 1923, and for the two months net operating income was \$894,904 compared with a deficit of \$33,706 in 1923. *Missouri-Kansas-Texas* for the two months ended February 29th reported surplus after all charges, including interest on the adjustment bonds of \$367,528, which compares with a deficit of \$565,514 for the same period of 1923.

### EARLY 1924 FREIGHT RECORD PRESENTS PLEASING PICTURE

—American Railway Association.



# Bonds

## Is It a First Mortgage?

A Practical Answer to an Age-Old Investment Question—The Advantages and Disadvantages of Buying First Mortgage Bonds

**I**S it a first mortgage?

If all the investors, or would-be investors, who at one time or another have asked this question were to stand in line they might easily circle the earth.

For some reason, bond buyers, and especially those seeking absolute safety, are more attracted by the term, "first mortgage," than any other in bond terminology. The reader may think this unusual, but it is not. All the wiseacres in investment circles have talked about first mortgages in such favorable terms for so many years, that the public has actually been led to believe that any such title must of necessity be a stamp of value. It is little wonder that enterprising corporations have made great use of this title as a means of disposing of so many comparatively worthless bond issues.

Should the fact that a bond issue is called a first mortgage mean anything to the investor? Yes and no. If one is looking for a high-grade security, many of them are to be found in the first mortgage group, in fact the premier corporate securities of the country are, for the most part, first mortgages. The name should merely serve to call the attention of the investor to the issue. But every so-called first mortgage bond is not actually a first mortgage, and those that are, need not necessarily be of any real investment value.

It is all right to ask about a lien of a bond provided other and more pertinent facts are inquired about. What part, or is all, of the corporate property covered by the first mortgage indenture? What is the estimated or assessed value of property? The earning power of the company? etc., etc.

These and other questions must be answered before an investment rating can be given to any corporate bond issue, no

matter what the lien. Yet any number of investors are continually buying bonds without the remotest idea of what the answer to these questions might be. They never read the indenture. They know nothing of the character of the obligor, the purpose of the issue, the true character of the security, and many other points of equal importance.

### Multiplicity of Names

The greatest cause of misunderstanding in regard to mortgage bonds is the great number of different liens that very often exist in a single mortgage. With consolidations and mergers becoming more and more frequent, new titles have been brought into existence to denote the exact character of the lien, and these are very often confusing. The following list of bond titles, although by no means complete, will give the reader some idea of the extent to which the word "first" has been attached to mortgage bonds:

1. First mortgage bonds,
2. First and consolidated mortgage bonds,
3. Consolidated first mortgage bonds,
4. First and general mortgage bonds,
5. Refunding first mortgage bonds,
6. First and refunding mortgage bonds,
7. General and first mortgage bonds,
8. First general mortgage bonds,
9. First lien bonds,
10. First lien and general mortgage bonds,
11. First trust mortgage bonds,
12. First mortgage and trust bonds.

While there is no reason to criticize corporations using these names in creating a mortgage issue, as they give the experienced investor at least an inkling of what the nature of the lien is, at the same time the uninitiated should be very

careful about accepting bond names at their face value. The word "first" has more than once been affixed to bonds for the expressed purpose of stimulating sales.

While it would not be practical to discuss each of the above mentioned types of bonds in detail, there are several rather general points that may be covered. For instance, first mortgage and first lien bonds are one and the same. First and consolidated indicates that the issue is a first mortgage upon part of the property, and a junior lien, and probably a very remote one at that, upon the whole or a portion of the consolidated properties. First and refunding issues are a first mortgage on part of the corporation's property and are also used for refunding purposes, often for the refunding of junior issues.

It is right here that the rub comes in the buying of supposedly first mortgage bonds with compound or complex names. Without reading the indenture, the prospective buyer may believe an issue is an entire first lien, whereas in actual fact it might be a lien on an infinitesimal part of the property and have, as the real purpose of issue, the refunding of junior liens. Needless to say, under these circumstances, the title means nothing whatsoever as regards investment value.

In the final analysis, it may be said that the name of a bond often implies a great deal but does not come up to the purchaser's expectations. A general claim or debenture issue of a financially strong company can be of much greater value than the first mortgage of another. While it is true that first mortgage bond holders have first claim to net income and, in the event of disaster, receive settlement before the holders of junior claims, there is more to be considered.

PRICE RANGE OF TWELVE FIRST MORTGAGE BONDS

Name	1919		1920		1921		1922		1923		Recent Price	Yield
	High	Low	High	Low	High	Low	High	Low	High	Low		
Armour & Co. 1st 4½s R. E. of 1939.....	88	81	81	73	88	75	94	86	89	82	85	6.0%
Atlantic & Danville Ry. Co. 1st 4s of 1948.....	74	70	69	55	73	64	82	72	79	73	72	6.2%
Brier Hill Steel Co. 1st 5½s of 1942.....	..	..	(issued in Oct. 1922)				101	98	97	91	93	6.1%
Cuba Railroad Co. 1st 5s of 1952.....	86	85	73	63	80	59	88	76	87	81	83	6.2%
International Paper 1st & Ref. 5s of 1947 (Series "A")	90	85	86	81	91	80	90	83	88	81	83	6.3%
Int. Great Northern R. R. Co. Series "A" 1st 6s of 1952	..	..	(issued in Jan. 1923)				..	..	97	86	95	6.3%
Kansas Gas & Elec. Co. 1st S. F. 6s Series "A" of 1952	..	..	(issued in March 1922)				..	..	97	91	96	6.2%
Manhattan Ry. Co. Con. (now first) 4s of 1990.....	72	54	60	49	62	52	72	57	64	53	59	6.8%
New York Dock Co. 1st 4s of 1951.....	72	65	68	58	76	62	82	75	80	74	76	6.2%
Pere Marquette Ry Co. 1st 5s of 1956.....	90	82	87	75	91	77	101	88	98	90	94	5.4%
Warner Sugar Ref. Co. 1st 7s of 1941.....	..	..	(issued in Dec. 1921)				104	99	106	101	103	6.7%
Wilson & Co. 1st 6s of 1941.....	101	97	98	80	99	82	102	93	102	93	93	6.7%

Under many reorganization plans, junior issues do not lose out altogether. Some sort of compromise is usually effected whereby the holders of first mortgage and junior bond obligations actually share in the assets to some extent. Only in this way is the corporation able to maintain any kind of credit standing, and if more money is needed in the business, as it usually is, this is the best way that new capital could possibly be secured.

But speaking of the advantages and disadvantages of buying first mortgage bonds, there is much to be said both pro and con. The buyer gets a high degree of safety, provided the issue is really well secured. On the other hand, he sacrifices a certain amount of return. The investment value of an absolute first mortgage on the assets of a company of strong credit is thoroughly appreciated by the investment public, and such an issue seldom sells out of line with the rest of the market. In other words, it is difficult to find bargains in this group. Everyone knows the true worth of railroad bonds, for instance, that are literally next to the rails and in the majority of cases unaffected by reorganizations. They may be called institutional bonds and generally sell around a 5% basis which is not very attractive to the business man, who desires 6% or better.

There are some exceptions, however, as for example the first mortgage Gold 4s of the Atlantic & Danville Ry. Co. which are now selling around 72 to yield 6.20% on the investment. These bonds are a first mortgage on all the property of the company which is leased to the Southern Railway Co. until 1949, or approximately one year after maturity.

The property includes 277 miles of road, the main line extending from Danville, Va., to West Norfolk, and valuable lands, buildings and miscellaneous equipment. As the Southern Railway Co. shows a steadily increasing earning power, the guarantee of interest is likely to become of greater value within the coming years. Being a real first mortgage, the issue can be said to be very attractive under the circumstances.

Another, but more speculative issue that offers the first mortgage investor a good

opportunity is the Manhattan Railway Co. Consolidated (now First) Mortgage 4s of 1990. As previously pointed out in the columns of this Magazine, these bonds are exceptionally well secured as to assets, and, while earnings of the Interborough Rapid Transit Co., the lessee of the property, have not been satisfactory in the past few years, definite improvement is taking place in this situation. The only thing that appears to be holding the market price for the issue at low levels, is the fear that the elevated structures in the City of New York will be condemned. It should hardly be necessary to point out that the company would be reimbursed in this instance, and that the lowest possible sum that might be received in payment would provide for the retirement of the first mortgage bonds at par. They are now selling at 60, to yield approximately 6.8% to maturity.

Two of the bond issues included in the list below may be classed as real estate bonds and are of high grade. That is, they represent a first lien on a real property that has an actual value greatly in excess of the amount of the bond issue. One of these is the Armour & Co., Real Estate 1st 4½s of 1939. The indenture under which they have been issued was executed by Armour & Co., as mortgagor, and by the Armour Packing Company, Armour & Co., and Armour Car Lines, as joint mortgagors. They are a direct obligation and secured by a first mortgage on packing houses, real estate, and other property located in Chicago, Kansas City, South Omaha, Neb., East St. Louis, Sioux City, Ia., Ft. Worth, Minneapolis, and New York City. Also by the pledge of two underlying issues of 5% bonds (\$7,493,000) maturing in 1939 and constituting a first mortgage on still other property. The net tangible assets applicable to all the bonds of the company are equal to more than twice the entire amount outstanding.

The only apparent reason for the Real Estate 1st 4½s to be selling to yield 6% is the fact that Armour & Co. has not reported earnings in each of the past few years sufficiently large to cover all interest charges. Conditions in the meat-packing industry during 1921 and 1922

were by no means favorable, and this company was forced to pay interest on its funded debt from surplus. Great improvement was shown in this situation, however, during the past year with interest charges earned more than twice over. The current outlook is bright for the packing industry and the bonds are undoubtedly attractive, from the standpoint of investment merits.

An equally good opportunity is offered by the New York Dock Company First Mortgage Gold 4s, due in 1951. They are outstanding in the amount of 12.5 millions and are a first mortgage on the property of the company located on the East River water front of the Borough of Brooklyn. The properties extend from Brooklyn Bridge to the Erie Basin, a total frontage of over 2½ miles and comprise about 159 storage warehouses, 20 manufacturing buildings and 34 piers, etc. The fact that this property has been given an assessed valuation of 25 million dollars will give the reader an idea of just how well secured the bonds really are. In addition to the value of the property, another interesting feature is that interest charges have been earned in each and every one of the past ten years or more, and average earnings have been in excess of 2.8 times the requirement for the past five years. At a present price of 76 to yield 5.7%, it would be difficult to find a more desirable first mortgage investment. There are many securities of lesser value selling on a much lower yield basis.

All other first mortgage bonds included in the accompanying table have been chosen for their attractiveness at present price levels, and readers should be able to choose a very good investment list therefrom. The International Paper Co. Series "A" 5s are the only first and refunding bonds included, but as they constitute practically the entire funded indebtedness of the company, they may to all extents and purposes be classed as a first mortgage.

In conclusion, the writer would again caution investors against buying bonds purely because they may have the word "first" in their official titles. Be reasonably certain that they are secured by a valued lien!

#### STATISTICAL COMPARISON OF TWELVE ATTRACTIVE FIRST MORTGAGE BONDS

(Latest Figures Available)

Company	Total Funded Debt	First Mortgage Indebtedness	Capital Stock Outstanding	Interest † Times Earned
Armour & Company (1st R. E. 4½s of 1939).....	\$144,000,000	\$50,000,000	\$232,000,000	*
Atlantic & Danville Ry. Co. (1st 4s of 1948).....	5,400,000	3,925,000	2,180,000	1.3 (a)
Brier Hill Steel Co. (1st 5½s of 1942).....	10,791,000	10,000,000	116,300,000 (b)	2.9 (b)
Cuba Railroad Co. (1st 5s of 1952).....	24,743,000	13,624,000	39,900,000	2.4
International Paper Co. (1st & Ref. Series A, 5s of 1947).....	19,300,000	19,150,000	44,800,000	3.8
Int. Great Northern R. R. Co. (1st 6s, Series A of 1952).....	34,200,000	17,250,000	7,500,000	1.4 (c)
Kansas Gas & Elec. Co. (1st 6s, Series A of 1952).....	16,500,000	13,500,000	7,726,000	1.7
Manhattan Ry. Co. (Con. 4s of 1990).....	45,205,000	40,670,000	60,000,000	0.9 (d)
New York Dock Co. (1st 4s of 1951).....	12,500,000	12,500,000	17,000,000	2.8
Pere Marquette Ry. Co. (1st 5s, Series A of 1956).....	45,200,000	42,950,000	68,600,000	2.7
Warner Sugar Refining Co. (1st 7s of 1941).....	5,850,000	5,850,000	3,144,000	2.9
Wilson & Co., Inc., (1st 6s of 1941).....	47,177,000	22,956,000	30,000,000	1.3

† Average number of times interest earned on entire funded debt for five years.

\* Not reported. (a) Figure is for Southern Railway, which guarantees interest on the bonds. (b) Figure is for Youngstown Sheet & Tube Co., which has taken over the Brier Hill Steel properties. (c) Average for the past two years. (d) Interest guaranteed by the Interborough Rapid Transit Co.

# BOND BUYERS' GUIDE

(IN ORDER OF PREFERENCE)

## HIGH GRADE

(For Income Only)

Non-Callable Bonds:	Appx. Price	Appx. Yield	Int. earned on entire fund
Great Northern Genl. 7s, 1936.....(c).....	107	6.20	2.85
Atlantic & Danville 1st 4s, 1948.....(a).....	75	6.00	....
Western Union Telegraph Co. 6½s, 1938.....(a).....	110	5.60	c 6.85
New York Edison Co. 6½s, 1941.....(b).....	110½	5.60	3.30
Canadian Northern Debenture 6½s, 1948.....(a).....	112	5.60	+
Delaware & Hudson 7s, 1930.....(b).....	108	5.60	2.10
Bush Terminal Buildings 8s, 1960.....(a).....	93½	5.40	1.85

## Callable Bonds:

Armour & Co. Real Estate 4½s, 1939.....(a).....	85	6.10	....
Duquesne Light Co. 6s, 1949.....(b).....	104	5.70	3.40
Philadelphia Company 6s, 1944.....(c).....	102	5.80	3.60
Armour & Co. of Del. 1st 6½s, 1943.....(c).....	90	6.40	....
Canadian General Electric deb. 6s, 1942.....(a).....	104	5.60	4.40

## Short-Term Bonds:

Rock Island-Frisco Terminal 5s, 1927.....(a).....	97½	6.00	....
Columbia Gas & Electric Co. 1st 5s, 1927.....(b).....	96¼	5.65	7.60
B. & O., Southwest Div. 1st mtg. 3½s, 1928.....(b).....	98	5.60	1.40
Seaboard & Roanoke 1st 5s, 1928.....(a).....	99	5.50	....
Southern Pacific conv. 4s, 1929.....(a).....	93¼	5.40	2.50
Union Pacific conv. 4s, 1927.....(b).....	96¼	5.20	2.10
Dominion of Canada Internal 5½s, 1927.....(d).....	100¾	5.30	....
Aluminum Company of America 7s, 1925.....(a).....	102¾	5.50	....
Bell Telephone Company of Canada.....(b).....	97	5.85	2.75

## MIDDLE GRADE

(For Income and Profit)

### Railroads:

Cuba R. R. 1st 5s, 1932.....(a).....	84	6.20	2.45
St. L. & S. F. Prior Lien 4s, 1930.....(c).....	68¾	6.50	1.25
Western Pacific 1st 5s, 1946.....(c).....	85	6.25	2.40
New York, Ontario & Western 4s, 1932.....(a).....	64	6.30	2.00
Erie & Jersey 1st 6s, 1955.....(a).....	95	6.35	1.50
Missouri, Kansas & Texas Prior Lien 5s, 1932.....(c).....	82½	6.30	1.10
Kansas City Southern Rtd. and Imp. 5s, 1930.....(a).....	88½	5.90	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931.....(a).....	102½	6.10	1.80
Carolina, Clinchfield & Ohio 1st 5s, 1938.....(c).....	83¼	5.75	1.45
Chesapeake & Ohio conv. 5s, 1946.....(b).....	92½	5.50	1.55
Chicago & Eastern Illinois Gen. 5s, 1931.....(c).....	78½	6.90	1.15

### Industrials:

South Porto Rico 1st Mtg. and Col. 7s, 1941.....(b).....	103	6.70	2.20
Sinclair Pipe Line 6s, 1942.....(b).....	83½	6.55	2.80
Wilson & Co. 1st 5s, 1941.....(a).....	93½	6.65	1.35
Goodyear Tire & Rubber Co. 8s, 1941.....(c).....	116½	6.35	5.80
International Paper Co. 5s, 1947.....(a).....	84	6.30	3.50
U. S. Rubber 5s, 1947.....(c).....	89	6.30	2.30
Bethlehem Steel Co. 5s, 1938.....(a).....	82	6.50	4.00
Computing Tabulating & Recording 5s, 1943.....(b).....	99½	6.00	5.50
Anaconda Copper Mining Co. 1st 5s, 1933.....(b).....	96	6.20	1.25
B. F. Goodrich 1st 6½s, 1947.....(b).....	93¼	6.30	2.70
Union Bag & Paper Co. 6s, 1942.....(b).....	96	6.35	1.40

### Public Utilities:

Manhattan Railway Cons. 4s, 1930.....(a).....	60	6.70	2.90
Amer. Water Works & Elect. Corp. Col. 5s, 1934.....(c).....	86¼	6.90	1.80
United Fuel Gas 5s, 1930.....(b).....	95½	6.55	5.55
Virginia Railway & Power 5s, 1934.....(a).....	90	6.50	1.90
Hudson & Manhattan Refunding 5s, 1934.....(c).....	82	6.25	2.00
Havans Elec. Ry. Light & Power 5s, 1934.....(a).....	84	6.20	5.00
Montreal Tramways 5s, 1941.....(c).....	89	6.10	1.25
Denver Gas & Elec. 1st and Rfd. 5s, 1931.....(c).....	86	6.10	4.70
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942.....(a).....	92½	5.65	2.05
Utah Power & Light 5s, 1944.....(a).....	90	5.90	1.60
Dominion Power & Transmission 1st 5s, 1932.....(a).....	89	6.60	2.10

## SPECULATIVE

(For Income and Profit)

### Railroads:

Chicago, Milwaukee & St. Paul conv. 5s, 2014.....(c).....	59½	8.40	1.02
Erie Genl. Lien 4s, 1930.....(b).....	80	7.20	1.31
Minneapolis & St. Louis 1st cons. 5s, 1934.....(a).....	70	9.60	....
St. Louis & San Francisco Adj. Mtg. 6s, 1955.....(c).....	76¼	8.10	1.10
Seaboard Air Line 4s, 1930.....(a).....	65	6.90	1.14
Missouri, Kansas & Texas Adj. Mtg. 5s, 1937.....(c).....	56½	9.00	1.10
Chicago Great Western 1st 4s, 1935.....(a).....	84	7.90	0.85
Western Maryland 1st Mtg. 4s, 1932.....(a).....	61¼	6.80	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934.....(c).....	78½	7.80	....
Iowa Central 1st Mtg. 5s, 1938.....(a).....	60	8.90	0.90

### Industrials:

Cuba Cane Sugar 7s, 1930.....(c).....	92½	8.50	1.80
Empire Gas & Fuel 7½s, Series "A" 1937.....(c).....	91½	8.60	3.30
International Mercantile Marine 6s, 1941.....(b).....	81	7.90	3.25
Wilson & Co. 7½s, 1931.....(a).....	88	9.90	aa 1.35

### Public Utilities:

Brooklyn-Manhattan Transit 6s, 1938.....(c).....	78½	7.90	1.50
Chicago Railways 1st 5s, 1927.....(a).....	77½	14.60	1.08
Interboro Rapid Transit 5s, 1906.....(a).....	64	8.00	0.90
Third Avenue Railway Rtd. 4s, 1909.....(b).....	58¼	7.90	1.35

\* Principal and interest guaranteed by Dominion of Canada. † Callable in 1931. ‡ Callable in 1939. § This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., \$1,000 (b) Lowest denom., \$500 (c) Lowest denom., \$50  
(aa) 1932. † Average last two years ‡ Average last three years  
‡ Does not include interest on adjustment bonds.

## Weakness in Stocks Not Reflected in Bond Market

READERS of this column will note we have changed the appearance of the Guide in that the various issues are now listed in order of our preferences for purchases in the various classifications. In choosing individual issues which we prefer among the others we regard as attractive, various factors have been taken into consideration, such as their soundness from the investment standpoint, and the yield at ruling quotations.

As an illustration, while a bond listed as second or third choice may be entitled to higher investment ranking, when the price level is considered, the yield may more than compensate for the somewhat higher academic rating, and, for that reason, has been given preference. Taking all factors into consideration, we feel that the Great Northern General 7s of 1936, at ruling quotations, seem the outstanding bargain among the high-grade rails, the Armour & Company real estate 4½s, among high-grade industrials, etc. This preferential classification will be followed in future issues of the Guide.

It will be noted that we have eliminated from the table the Baltimore & Ohio first 4s, and the New York Central & Hudson River Railroad refunding and improvement 5s. This is not due to any feeling that these issues are not high grade, but they have now advanced to a point where the bonds only yield a little over 5%. For this reason, it is our view there are better opportunities available where sound investment securities can be obtained to yield a higher return. Accordingly we have substituted therefor the Atlantic & Danville first mortgage 4s, which are a first mortgage on the line leased by the Southern Railway and a very important link in the operations of that system inasmuch as it embraces the Southern's entrance to the port of Norfolk, through which it handles a very large export and import business.

The irregularity witnessed in stocks was not reflected to any extent in the bond market. High-grade securities held their own, but trading in the speculative issues was the feature. The Norfolk & Western convertible 6s continued their spectacular advance and reached a new high of 132 before profit-taking made itself felt. The good February earning statement of the Chicago, Milwaukee & St. Paul Railway furnished fresh incentive for the purchase of the securities of that road. All issues reached new high levels, led by the gold 4s of 1925, which sold at a high of 87, and the long-term convertible 5s of 1925, which have been consistently advocated in this column, and which are carried in the speculative list of the Bond Buyers' Guide, crossed 60, up 10 points from the low during the latter part of 1923.

The Seaboard Air Line issues, represented in the Guide by the first 4s, which are best secured, also were strong, as were all the recent speculative favorites, and readers who have purchased these junior rails in accordance with our recommendations now have good profits.

# School for Traders & Investors

## Twenty-Eighth Lesson

### Time Element in the Stock Market

#### The Earmarks of Crucial Days

ONE of our students has asked us to say something about the time element in the stock market, with particular reference to so-called crucial days. He asks whether it is possible to determine or estimate how many days will elapse before a stock will give some kind of a signal that it is about to advance or decline, after it has had a substantial swing either up or down and has apparently become temporarily stabilized with regard to price movement.

We fear that our student is expecting too much from the time element as an indicator of price movement. However, experienced traders are aware of certain very general relationships between periods of time and price movements, and we shall make some observations on the subject, although we may not be able to present the element of time as a useful "working tool" in the manner our reader has in mind.

#### Some Examples

In discussing major cycles of the market, it has been observed that the downward swing in a bear market lasts about half as long as the upward swing in a bull market, and for this reason the remark is often made that a professional trader can make money faster in a bear market because stocks decline with about twice the speed that obtains during a general advance. If we refer to the entire swing from top to bottom, many examples may be cited to demonstrate the general truth of the observation.

The bull market in railroad stocks which began in September, 1900, lasted almost exactly two years, culminating in September, 1902. During the following twelve months the average price of the same stocks lost over two-thirds of its advance, and in September, 1903, the market began to recover. The following bull market lasted a little over two years, culminating in January, 1905. Both railroad and industrial stocks participated. The average of representative industrials advanced about 60 points, while the average of representative rails advanced about 50 points.

During the following year the market remained in relatively high ground, but in December, 1905, both classes of stocks declined, and the bear market reached bottom in November, 1907, the industrials losing an average of about 40 points, and the rails about 60 points.

The next bull market lasted about two years, culminating in September, 1909, and the subsequent decline was completed in July, 1910, in a period of about 9 months. The next pronounced bull market began with the reopening of the New York Stock Exchange late in 1914, and culminated in November, 1916, having lasted nearly two years.

The following decline was completed in

December, 1917, its duration being a little over one year. Once more, the bull market in industrials that began in December, 1917, culminated in November, 1919, in one month less than two years, and all of this gain was lost by December, 1920.

As the examples above cited cover all of the wide swings during the period re-

(Please turn to page 1067)

## \$50—

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The following rules must be observed: (1) Articles must not exceed 2,500 words in length. (2) They must be original. (3) Manuscripts must reach this office on or before Saturday, May 10th, 1924.

As typical of the general type of article desired, we suggest a re-reading of previous issues in this Department in THE MAGAZINE. Also, Mr. Wyckoff's book, "How I Handle My Own Funds," and similar works.

Selection of the two best articles will rest with the Editors of THE MAGAZINE OF WALL STREET. All other articles found available for publication will be paid for at regular rates. Names of authors will not be published if not desired, nor is it necessary to identify the individual whose methods are discussed.

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# Industrials

## Second Instalment

### Which Is the Most Promising Dividend-Paying Stock in Each Leading Industry?

In This Article { Public Utility    Oil  
Copper            Automobiles

#### A STAFF ANALYSIS

**T**HIS is the second of a series of three articles designed for the purpose of presenting the most attractive investment opportunity among dividend-paying common stocks in each leading industry. The primary purpose of these analyses is to recommend issues which have not yet been largely exploited in the recent market; which are sound as to dividend prospects, and which offer a fairly good yield. The principal requirements of selection demanded of the staff analysts follow:

1. The stock selected had to be a dividend-payer.
2. It had to offer a good yield—7% or over, except in several cases.

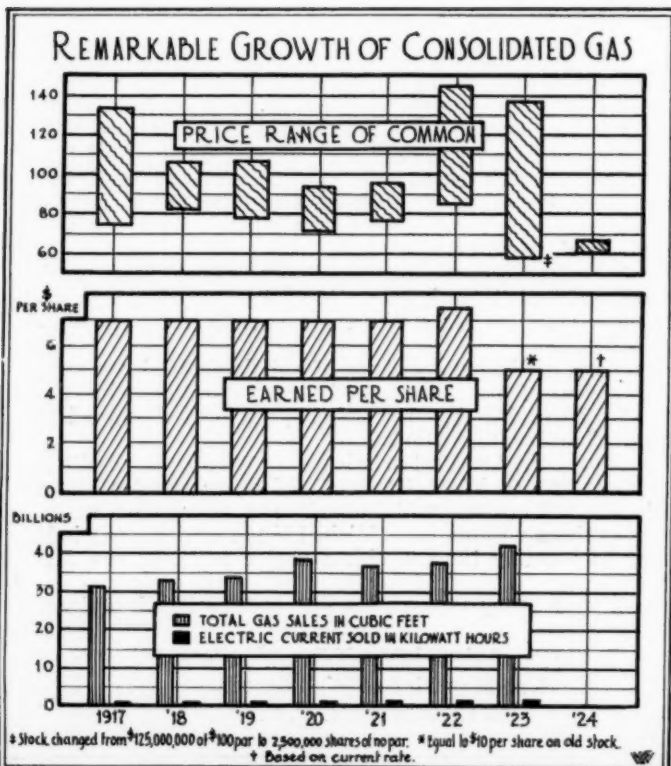
3. It had to offer a reasonable opportunity for profit over a period.

4. It had to represent a big, well-established company.

5. The dividend had to be reasonably well secured.

6. The stock had to have a good market.

It will be noted that the recommendations given in this series are not based on any idea of immediate profit. Rather, these are issues which are recommended for their long-distance possibilities. Inasmuch, however, as most of them offer a fairly good yield, there should be no loss of income during the period of waiting for market enhancement.



#### 1—Consolidated Gas Co. of N. Y.

### Consolidated Gas' Impregnable Position

High Yield in Striking Contrast with Sound Values

**T**HE unfavorable conditions under which this company and other public utility companies operated during the post-war period of high costs and low rates seems to have had lasting effect on the minds of the investing public. In spite of great improvement in the public utility situation within the past two years the securities of several companies have not regained their former market prestige and the common stock of the Consolidated Gas Co. of New York is an excellent example. It has risen in market value, to be sure, but at the same time present prices by no means compare with the pre-war levels.

An analysis of earnings of this company shows that during many of the pre-war years, 1913, for instance, the dividend rate on its stock was earned by only a fair margin and yet the security sold in the

THE MAGAZINE OF WALL STREET

market as high as 142 to yield just over 4%. The lowest price recorded in the entire period, 1909-1916, inclusive, was 113, which, after allowing for the recent split-up in shares on a two for one basis, is just a little under the present price of 60. It can clearly be seen from this comparison that the stock is not selling at an unusually high price, particularly since it now yields 8.2% on the investment, or more than double the old return.

While this is reason enough to seriously consider the common stock of the Consolidated Gas Co. of New York in seeking the most promising security in the public utility group, there are many other factors that are of importance. The accompanying graph will give the reader some idea of the steady growth in sales of gas and electricity year by year, and offers convincing evidence that practically the only factors that could cause a marked decline in earnings would be unfair rate reductions or else a marked increase in operating costs without a compensating increase in rates. Neither of these conditions appear likely to come about in the near future, as operating costs are on the down-trend and recent court decisions offer ample proof of the improbability of confiscatory rates.

In the year ended December 1, 1923, the company reported earnings for common stock of 27.6 millions, the equivalent of \$7.77 a share on the 3,562,803 shares of common outstanding at the end of the year. As the average amount of stock outstanding during the year was closer to 3 million shares, however, the company can be said to have earned approximately \$9.25 a share. Furthermore, there was an additional 2.2 million dollars set aside in suspense representing collections above the \$1 rate, and as recent events would appear to indicate that the \$1 gas rate will never be put into effect, this amount is likely to also go toward earnings.

At the end of last year, funded debt totaled 120 millions, or about 40% of total capital, and while this is a larger percentage than before the war, it is by no means unfavorable, particularly when compared with that of other companies in the industry. It is estimated that about 70 million dollars will be needed to finance additions and improvements during the current year, and this amount is likely to be raised by additional stock offerings, thus further reducing funded debt ratio. Financial condition is excellent with net working capital of 28.2 millions, and bank loans reduced to 13.1 millions, compared with 46.4 millions at the close of 1922.

The company should be able to earn the present \$5 dividend by a substantial margin in any but an unusual year. From the investment standpoint, the stock can be bought with assurance of reasonable safety, provided minor price fluctuations are ignored. The 8.3% return at a price of 60 is very attractive for a stock having such good investment merits. During the past few months the stock has been hovering near present figures. Probably, the anticipation of new financing has held the stock back, but it clearly does not reflect the sound position of the issue as to earnings and dividends.—J. M.

## 2—Kennecott Copper Corporation

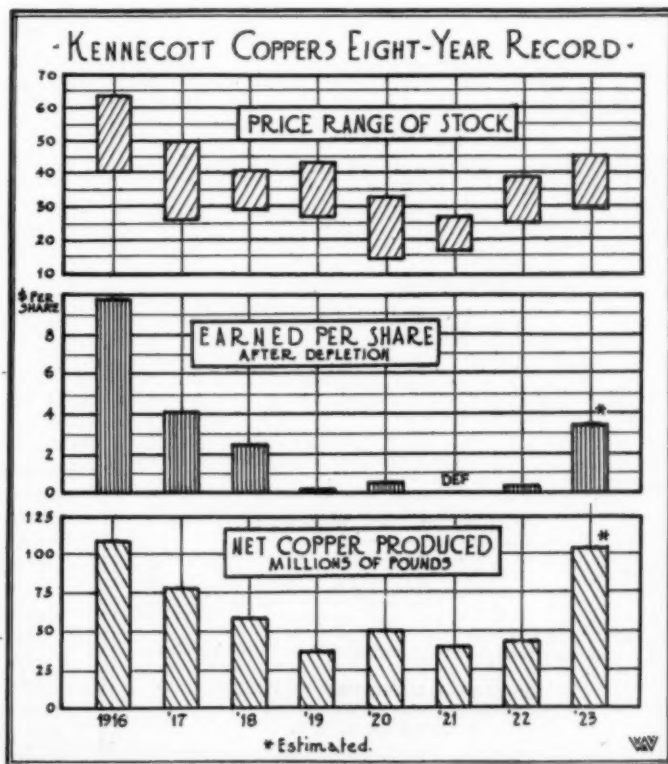
### Why I Prefer Kennecott Among the Coppers

Enormous Potential Low-Cost Production—Able Management and Strong Financial Backing

**K**ENNECOTT COPPER appeals to me for a variety of reasons, but one of the most outstanding is the diversification of property which it represents. In this respect it is like Anaconda, but does not have the high production costs to contend with as in the case of the latter company.

About 50% of Kennecott's earnings come from the Braden Copper Mines, of whose stock Kennecott owns practically the entire amount outstanding. Kennecott owns approximately 77% of the stock of the Utah Copper Co. and derives about 10% of its earnings from Utah's dividends. Kennecott owns about 46% of the stock of the Mother Lode Coalition Mines Co., and derives about 10% of its earnings from that company. Its own mines in Alaska furnish about 25% of earnings and the balance comes from its railroad and steamship investments. Thus Kennecott draws its income from a vast area bounded by Alaska on the north and Chile, S. A., on the south.

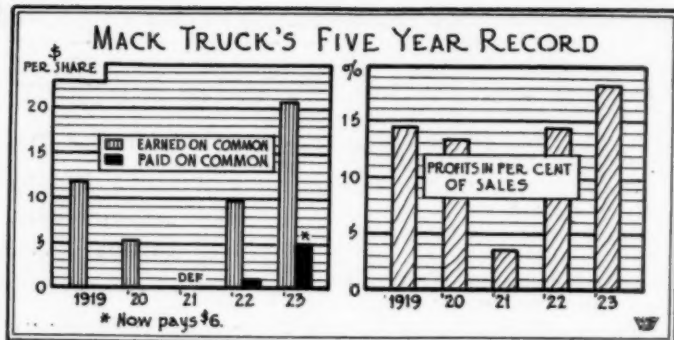
Another feature of Kennecott which impresses me is the fact that the company is a Guggenheim undertaking with Morgan backing. This combination of practical and successful mining men and



bankers augurs well for the stability and future of the company. It was the Guggenheims who undertook to develop the enormously rich ore bodies of Kennecott's original Alaska properties, and it was Morgan money which furnished the sinews of war. Since that time, Kennecott has greatly expanded and, with its subsidiaries, has a potential output of in excess of 600,000,000 pounds of copper annually. Thus it shares with Anaconda the distinction of being one of the world's two greatest copper-producing organizations.

Kennecott has an issue of \$15,000,000 7% bonds outstanding, so that its annual interest requirements are slightly in excess of \$1,000,000. In April of last year the capital stock of no par value was increased from 3,000,000 shares to 5,000,000 to provide for the company's offer to exchange its stock for that of Utah Copper on the basis of 1 3/4 shares of Kennecott for each share of Utah. Kennecott, at the time of its last annual statement, had 3,860,00 shares outstanding.

In common with other mining companies, Kennecott charges off to depreciation and depletion all that the law allows, so that its reports, written up with an eye to the matter of taxation, are somewhat misleading. As a matter of fact, the exhaustion of properties like Utah and Braden lie so far in the future that it need not concern the present generation.



Summing up, then, I like Kennecott because it represents wide diversification of properties, it is managed by experienced mining men and backed by large financial interests, it is one of the two largest copper-producing companies in the world and should be able to pay its

present \$3 dividend on metal as low as 12 1/2 cents a pound.

At current levels of about \$34 a share, it yields about 9%. The stock has sold consistently higher when conditions surrounding the company were not nearly as favorable as those now obtaining. In the event of a rising copper market, which is not at all unlikely this year, the stock could be counted on to give a rather excellent account of itself.—A. D. N.

### 3—Mack Trucks, Inc.

## Why Mack Leads the Truck Industry

Long-Range Prospects Favorable — Strong Trade Position

IN choosing the most promising stock in the motor group, one first has to decide what division of the motor industry has the brightest outlook, the equipment, the passenger car or the truck division. As for the equipment companies, they are more or less dependent upon the prosperity of the passenger-car manufacturers, so for all practical purposes the two may be grouped together. Thus, in the final analysis, the question is whether the extent of increase in the use of the motor truck is destined to outstrip that of the motor car.

The writer's opinion is that the question must be answered in the affirmative. During the past few years the passenger car has led the field, but that is history. While reports are now current that passenger-car sales are near their peak, demand for motor trucks is increasing, and nothing is heard about overproduction. Why? Because industry is just beginning to realize the economic value of the motor truck and is only beginning to put it in use on a large scale. The use of the bus and the rail car is developing rapidly, and plans are now under way whereby all less than car-load business will be taken over from the railroads by one great motor-truck shipping company. On the whole, it may be said that the motor-truck industry is still in its infancy.

Mack Trucks, Inc., appears to have the most promising future of any of the truck-manufacturing companies for three reasons: It has developed one of the best and most dependable machines on the market, offers the buyer unexcelled service and enjoys a splendid management. In addition, it is

**\$50—**

For Each of the

## Two Best Articles!

The School for Traders & Investors of THE MAGAZINE OF WALL STREET offers two prizes of \$50 each for the best articles on either of these two subjects:

- (1) The Best Investor I Ever Knew—
- (2) The Best Trader I Ever Knew.

These articles should be based on your own personal observation of the actual methods pursued by some individual intimately known to you. They should contain as complete and at the same time as understandable a description of the methods under review as proves possible. They should not be prosy or excessively technical; on the other hand, graphs and statistical data, suitable to the text and clarifying the results attained, will be welcome.

The following rules must be observed: (1) Articles must not exceed 2,500 words in length. (2) They must be original. (3) Manuscripts must reach this office on or before Saturday, May 10th, 1924.

As typical of the general type of article desired, we suggest a re-reading of previous issues of the School for Traders & Investors. Also, Mr. Wyckoff's book, "How I Handle My Own Funds," and similar works.

Selection of the two best articles will rest with the Editors of THE MAGAZINE OF WALL STREET. All other articles found available for publication will be paid for at regular rates. Names of authors will not be published if not desired, nor is it necessary to identify the individual whose methods are discussed.

Start on your story now and, when it is finished, address it to:

**TRADERS & INVESTORS' CONTEST**  
The Magazine of Wall Street  
42 Broadway, N. Y. C.

**IMPORTANT FEATURES OF STANDARD OF INDIANA'S FINANCIAL STRUCTURE**  
(Dec. 31, 1923)

1) No Funded Debt.*	
2) Plant Valuation .....	\$96,605,845
(1922 depreciation and depletion, \$29,809,566; 1923, \$34,821,321.)	
3) Securities and Investments.....	\$138,779,667
4) Inventory .....	\$46,779,667
5) Cash .....	\$14,230,677
6) Outstanding Shares (Par \$25) .....	8,868,264
7) Working Capital .....	\$44,240,188
8) Capital and Sound Surplus.....	\$87,404,010

\* With the exception of \$79,500 outstanding bonds on realty which were assumed when Standard acquired the property.

one of the most progressive companies in the industry. As long as prosperity holds out in the motor-truck industry, this company should continue to hold a very favorable position.

During the past few years, earnings have fluctuated to quite some extent, as was the case with other truck or passenger-car manufacturers; but comparatively speaking, a good showing was made in each and every year. For instance, in 1921, when large deficits were reported by most companies, Mack Trucks, Inc., or International Motor Truck, as it was then called, earned \$126,000 before preferred dividends and showed a loss approximating one million dollars after allowance for this item. Net earnings rose to 2.5 millions in 1922, and then again to 5.8 millions in the past year, or the equivalent of \$20.71 a share.

So far this year, sales and earnings have both exceeded the figures for the same period of 1923, according to unofficial advices, and a much bigger year is expected than last. In the meanwhile, financial position is excellent, with actual cash on hand of 3.5 millions as of December 1, 1923, much in excess of all current liabilities.

The present \$6 dividend rate on the 283,109 shares of no par common stock is reasonably secure and larger disbursements may be expected eventually, although the company is now using its cash resources to increase plant facilities. The current yield is 7.2% at a present market price of 83 for the stock. While the reaction in the motor shares as a group may continue to have a technical effect on the price of this security, there is nothing in the outlook that would appear to warrant the stockholder in disposing of his shares at this time.

*In the writer's estimation, it represents the best purchase among all the motor stocks, with the possible exception of White, for those who care to make a permanent investment of it.—A. T. M.*

for APRIL 12, 1924

**4—Standard Oil of Indiana**

**Reasons for Selecting Standard of Indiana**

**Cogent Reasons Why This Is Regarded as Among the Best of the Oils**

**J**UST as one man's meat is another man's poison, so my choice of Standard of Indiana among the oils may not appeal to all. Each individual's investment must fit him like his coat or his shoes, otherwise he is uncomfortable. Now the kind of investment which fits my mentality is one which does not keep me awake nights—I have enough to keep me awake during the day—but at the same time gives me a run for my money.

Four per cent from the savings bank may be all right for many, but if I cannot do better than that with my money I feel that I ought to go to a brain specialist, for something must be wrong somewhere. Of course, I realize that Standard of Indiana, paying \$2.50 a share, returns me only a little more than 4% on its present price of 60. I am not thinking about that 4%, but of the juicy dividends which the company paid before the great dissolution in 1911 and those 150% and 100% stock dividends declared in 1920 and 1922, respectively.

After a careful study of the oil situation as a whole and the record and prospects of Standard of Indiana, I see no good reason why history should not repeat. Perhaps not next month nor even next year, but eventually. And I feel that when the ripened melons are again shaken from the ever-bearing Standard that I will be many times recompensed for the 2 or 3% additional which I am foregoing for the time being. Meanwhile, I am receiving a trifle more than the savings bank will pay me.

I do not think of any more important question an investor can ask concerning a company than "Who are behind it and what is their business record?" I found that the management of Standard of Indiana is directly descended from the old Standard régime and steeped in the tradi-

tions which made the Standard Oil companies the greatest industrials in the world. R. W. Stewart, chairman of the board, enjoys the reputation of being one of the ablest oil men in the United States. So the company, while embodying the best traditions of other days, keeps fully abreast with the present, and that is a combination hard to beat.

(Please turn to page 1068)

**SUMMARY OF SECOND INSTALMENT**

**The Most Attractive Dividend Stock in Each Leading**

	Industry*			
	Public Utility	Copper	Automobile	Oil
	Cons. Gas (N. Y.)	Kenne-cott	Mack Trucks	Standard of Indiana
Recent Price .....	\$60	\$34	\$83	\$60
Dividend .....	\$5	\$3	\$6	\$2.50
Yield .....	8.3%	8.8%	7.2%	4.2%
Earned 1923 .....	\$7.77	\$3.50†	\$20.71	\$4.68
Earned on M'ket Price. 12.9%		10.3%	24.9%	7.8%

\* Last issue contained selections from following industries: Railroad, Rail Equipment, Steel, Sugar, Chain Stores, Department Stores. Next issue will cover: Leather and Shoe, Tobacco, Auto Accessories and Building.  
† Estimated.

# Why I Would Not Buy Any of These Nine Stocks

A Frank Statement of Personal Opinion

By FRED L. KURR

**I**N selecting a list of stocks which the average investor would do well to avoid, the writer has borne in mind the fact that highly speculative issues of more or less doubtful value frequently offer the opportunity for substantial profit to the nimble speculator.

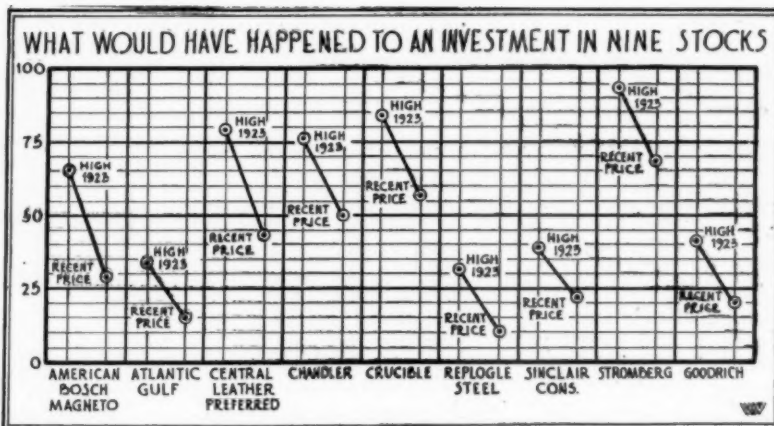
For the trader who has made a study of market movements, limits his losses with stop loss orders, and who is constantly on the watch for the psychological time to buy or sell, these issues are frequently among the best for his purpose, as they are subject to very wide price movements. On the other hand, this class of stocks should be left severely alone by the average investor who has not the time or the inclination to trade actively and who purchases stocks with the idea of holding issues of sound value for a long pull.

Stocks which in the past have had a very spectacular market history usually offer good opportunities for pool manipulation, as the speculative public is impressed with the past record of the stock and "takes a flyer" in the hope that history will repeat itself. A good example of this psychology of the public is Atlantic Gulf & West Indies. In 1923, the stock advanced from 18 to 34 in a period of two months. It probably looked like an excellent purchase at 34 to many speculators, in view of the fact that the stock had sold over 190 during the war period. Past glories, however, do not make present values, and as there had been no change for the better in the affairs of Atlantic Gulf, the stock rapidly fell away again to its low level, with a few more involuntary investors on board.

Replogle Steel, another example, more than doubled in value early in 1923, selling above 30, although this company had not yet succeeded in earning a dollar. It was, however, undoubtedly purchased by many speculators on the ground that in 1920 it had sold as high as 93½.

For the average investor to attempt to make profits in stocks of this calibre without expert guidance is almost sure to ultimately result in serious losses. The only sound policy to follow is that of selecting the stocks of the stronger companies in industries that are in a favorable position, and to diversify holdings among several issues. By adopting this method, temporary market fluctuations are not of such vital importance, for if good value has been purchased it will ultimately be demonstrated by higher prices for the stock.

In the accompanying table a list of nine stocks is given, which in the opinion of the writer represent uncertain speculations, and are unsuitable media for the long-pull investor.



## AMERICAN BOSCH MAGNETO

A good deal has been said in the past year in regard to the new products being manufactured by American Bosch Magneto, and the favorable effect which the company's expansion along these lines will have on earnings. Up to the present time, however, results have not been satisfactory.

The company had one of its largest years in 1923 from a sales viewpoint, gross business having exceeded ten million dollars as against seven millions in 1922. Net, however, was decidedly unsatisfactory, and the company reported less than \$1 a share earned on the stock. While this may be explained to some degree by unusual expenses in connection with re-vamping of equipment in order to manufacture these new products, it should be realized that 1923 was an unusually favorable year for the automobile accessory business.

Competition in the automobile equipment industry is becoming keener every year, and the margin of profit is being steadily reduced. In manufacturing spark plugs, electric windshield wipers, shock absorbers and other minor accessories, American Bosch Magneto is competing with other companies that have more firmly established their market for these products, and we consider it decidedly questionable whether these lines will add materially to the earnings of the company except in an unusually profitable period. At the close of 1923 the company had notes and accounts payable of 1.9 million dollars, as against cash and accounts receivable of 1.2 millions. Even should earnings show a substantial increase, financial condition hardly warrants early consideration of dividends. The stock is hardly attractive in comparison with many other low-priced stocks of value.

## ATLANTIC GULF & WEST INDIES

The history of this company is unimpressive. Before the war, its earning power was insufficient to pay dividends on either the common or preferred stock. During the war period, higher freight rates and unlimited demand for shipping enabled the company to show remarkable profits, but as conditions exist in the shipping industry today, the company will do very well if it can cover the interest on its funded debt.

Unfortunately for the stockholders, the large profits made during the war period are not now to be found among the assets of the company. Instead of sticking to its own lathe, the management embarked in outside ventures with disastrous results. At the height of the boom in the oil industry, several million dollars' worth of oil properties in the Southern District of the Tampico field in Mexico were purchased, a fleet of tankers was acquired, and millions were spent in pipe-lines and other development work. Salt water reduced the Mexican production to small proportions, the tankers are now only worth a fraction of their original cost, and only a very small percentage of the money put into development work will ever be recovered.

While conditions in shipping have improved to a certain extent, this applies more to the trans-Atlantic trade. Competition in coastwise trade is still very keen, and, while Atlantic Gulf has been doing a little better, the improvement has not been sufficient to warrant any degree of optimism. In December, the Ward Lines, controlled by Atlantic Gulf through ownership of stock, went into the hands of a receiver. Another poor investment. As of Dec. 31st, 1922, total current assets were 10.8 million dollars, compared with

THE MAGAZINE OF WALL STREET

current liabilities of 6 millions, a far from strong financial condition.

With a 33 million dollar funded debt ahead of the common and preferred stocks, both these issues appear in an unfavorable position. The company will have its hands full in meeting interest requirements, and dividends are a remote possibility.

**CENTRAL LEATHER COMPANY** While it is true that conditions in the leather industry have been decidedly unsatisfactory, and profitable operations by big tanning companies, such as Central Leather, were not to be expected, this hardly explains the enormous deficit of 43 million dollars reported by this company in the past four years. To the writer, at least, it indicates a decided lack of skillful management, and does not warrant confidence in the securities of the company.

Were it not for the bad record of the company, the preferred stock could be considered as having rather interesting speculative possibilities at this time. During the inflation period the company piled up very large profits, and, heavy as the losses have been since, the balance sheet at the present time reflects a fairly good financial condition.

At the close of 1923, current assets were 51.3 millions, against current liabilities of only 6 millions, leaving working capital of 45.3 millions. Bills payable stood at 4.5 millions, but it is reported that these have now been reduced to 1 million through further liquidation of inventories. The book value of the preferred stock is \$181 a share, and working capital alone after deducting the funded debt is equal to \$68 a share on the preferred stock.

There has been a slight improvement in the leather industry since the first of the year, and it is understood that Central Leather is now making a small profit. This has been reflected in somewhat higher prices for the preferred stock.

Beside the question of management, there is another reason why the writer believes Central Leather should be avoided, and that is the large maturity April 1st, 1925, when 24.6 millions of first mortgage 5% bonds must be paid off. Despite the substantial assets of the company, diffi-

culty may be experienced in arranging new financing because of the poor earnings' record. At any rate, there are no prospects of dividends on the preferred stock until this refinancing is accomplished.

#### CHANDLER MOTORS

Nearly all the large automobile companies in 1923 broke previous sales records. Chandler, on the other hand, only produced 17,000 cars compared with 23,832 cars in 1920, 18,476 in 1919, and 17,000 in 1917. This clearly indicates that Chandler has not been making nearly as much progress as other automobile companies, and has not maintained its position in the industry.

When a company loses ground in an industry in which its competitors are making great strides forward, it is advisable to avoid the securities of that company. Chandler is planning a larger production this year, but how successful it will be in increasing sales and profits is still an open question.

In view of the earnings of the company, its dividend policy has been entirely too liberal. In the three years 1921-1923, \$14 a share was paid out in dividends, while only \$13.50 a share was earned. As a result, the company's financial position does not compare favorably with that of other automobile companies.

As of December 31st, 1923, current assets were 4.6 millions as against current liabilities of 3 millions. Under these circumstances, the present dividend rate of 6% must be regarded as insecure, and the stock, therefore, an uncertain speculation. Book value as of December 31st, 1923, was \$21.44 a share.

#### CRUCIBLE STEEL

At a price under 60 it is usual to hear Crucible Steel referred to as selling at a low level. This may be true in comparison with the prices at which it sold during the war and inflation period, but compared with pre-war prices the stock at present levels still shows a remarkable advance.

In 1920, the outstanding capital stock was doubled through payment of stock dividends, and the present price of 57 is

equivalent to 114 for the old stock. This compares with prices before the war of from \$10 to \$15 a share.

Of course, the war practically "made" Crucible Steel, and it is a very different company now from what it was in 1914. However, on the basis of earnings and dividend payments, the stock cannot be considered greatly undervalued at present levels.

In the year ended August 31st, 1923, Crucible earned \$6.46 a share on its stock. In the current fiscal year a better showing will undoubtedly be made, but it is not likely that the company will be able to show an earning power as great as that of Sloss Sheffield, for example, which earned \$20 a share in 1923, or Republic Iron & Steel, which earned \$15 in 1923. Sloss Sheffield, paying \$6, is selling at about the same price as Crucible Steel, only paying \$4. Republic Iron & Steel, selling 10 points lower, is not paying anything, but earnings and financial condition apparently warrant early consideration of dividends.

Crucible earnings are very susceptible to any change in conditions in the steel industry, and in 1922 the company reported a deficit of 6.5 millions. The stock is very closely held, and lends itself easily to market manipulation. In the opinion of the writer, sounder values are represented in other steel stocks.

#### B. F. GOODRICH COMPANY

At present levels of 20, B. F. Goodrich common is selling at a very low level compared with previous years. From 1915 to 1920, inclusive, the stock sold up to 60 in each year, and in 1919 made a high of 93½. Even in the years 1921, 1922 and 1923, it sold above 40. On the basis of past performance the stock, therefore, looks attractive, but on the basis of recent operating results, even 20 does not appear a bargain.

In 1921, the company reported a deficit of 22 million dollars, and in 1922 and 1923 just about covered preferred dividends. Nothing in the situation at the present time warrants the belief that there will be any early important increase in earning power.

A condition of overproduction exists in (Please turn to page 1065)

### NINE STOCKS THAT DO NOT APPEAL ON INVESTMENT GROUNDS

	— Earned per Share —			Div. Rate	Price Range 1923		Recent Prices	
	1921	1922	1923		High	Low		
Am. Bosch Magneto.....	def.	0.27	0.97	—	60	22¾	29	Manufacturing several new products but profits uncertain.
Atlantic Gulf & W. I. ....	7.31	def.	*	—	34	9¼	15	War profits lost in outside ventures.
Central Leather pfd. ....	def.	4.58	def.	—	79¾	28½	43	Total deficit past four years 43 millions.
Chandler Motors .....	0.15	6.09	7.34	6	76	43	50	Production less than in 1919-1920.
Crucible Steel .....	†7.59	†def.	†6.46	4	84½	57½	57	Stock still at high level in view of 100% stock dividend in 1920.
Goodrich .....	def.	0.70	0.80	—	41½	17¾	20	Bank loans 8.6 millions.
Replogle Steel .....	def.	def.	def.	—	31¾	8	10	Needs boom times to make money.
Sinclair Consol. ....	def.	3.23	*	2	39¾	16	22	Top-heavy capitalization, funded debt 70 millions.
Stromberg Carburetor...	1.09	8.06	†13.00	8	94¼	59½	68	Unstable earning power.

† Years ended Aug. 31.

\* Annual report not issued but deficit probable.

† Partly estimated.

# How Baldwin and American Locomotive Compare

Which of These Two Companies Are in the Strongest Position?

**I**RRESPECTIVE of whether or not the outlook holds roseate prospects for locomotive manufacturers; a comparative analysis of The Baldwin Locomotive Works and American Locomotive Company discloses some very interesting points for discussion. The two companies are leaders in their field of activity. Both have comparatively good records of earnings, are well managed and enjoy the confidence of any number of investors.

The American Locomotive Company is engaged solely in the manufacture and sale of locomotives while Baldwin has but a slightly more diversified business. It owns the entire capital stock of the Standard Steel Works Co. which manufactures steel tires, steel castings, iron castings, railway springs and other equipment. However, the proportion of this business to the manufacture and sale of locomotives by the Baldwin organization is not considerable.

The real prosperity of each of these two companies is bound indissolubly with the amount of locomotive equipment ordered by railroads in different parts of the world. Owing to the fact that Baldwin is the more aggressive as regards foreign business, it receives a very large share of the total number of orders placed in the American market by foreign roads, while on the other hand, the American Locomotive Company depends to greater extent upon domestic orders.

In some respects, the difference in the source of orders received is usually of little consequence but, as will be pointed out in a subsequent paragraph, the importance of the situation at this time is reflected in the balance sheets of the two companies. A large percentage of foreign business, with conditions as they are in other parts of the world, tends toward frozen credits and serves to weaken the financial condition of the manufacturer accepting orders from this source.

A comparison of the most recent balance sheets shows the capitalization of The Baldwin Locomotive Works to consist of 20 millions of 7% cumulative preferred stock and a like amount of common of \$100 par value, while American Locomotive has 25 millions of 7% cumulative preferred stock outstanding and 500,000 shares of no par value common. Funded debt of the former company is 10 millions while the latter has no direct funded debt and but 1.3 million dollars of bonds of subsidiaries. Net assets applicable to Baldwin common totaled 44.3 millions or \$221 a share as of December 1st, 1923, and those applicable to American Locomotive common came to 58.5 millions or \$117 a share.

As previously stated both organizations have good earnings records. In the ten-year period, 1914-1923, inclusive, Baldwin reported average annual net of 4 millions after preferred dividends or \$20 a share

on the common stock. The smallest amount earned in any one of the past eight years was equivalent to \$15.15 a share (1920), and combined earnings for this period have totaled \$200 a share of which but \$30 has been paid out in the form of dividends. One thing to be noted, however, is that most of earnings for the two years 1921 and 1922 evidently came from foreign business which was accepted on a credit basis. For the year ended December 31st, 1923, Baldwin reported net of 5.1 millions or approximately \$25.50 a share.

Earnings of American Locomotive have been more irregular due to the company's policy of not accepting foreign orders where the risk of payment is too great. While net for the past ten years has averaged 4.3 million dollars or the equivalent of \$17 a share on the old basis of capitalization (250,000 shares of common) and \$8.50 a share on the 500,000 shares now outstanding, there have been wide fluctuations in the yearly totals. For instance, in 1915, a deficit was reported before preferred dividends and then again in 1922, this company failed to earn its preferred dividend in full.

The comparatively poor showing in the latter year was caused by the slump in domestic orders and the decision to close down plants rather than accept credit business from foreign sources. Just what the result of this policy has been is well

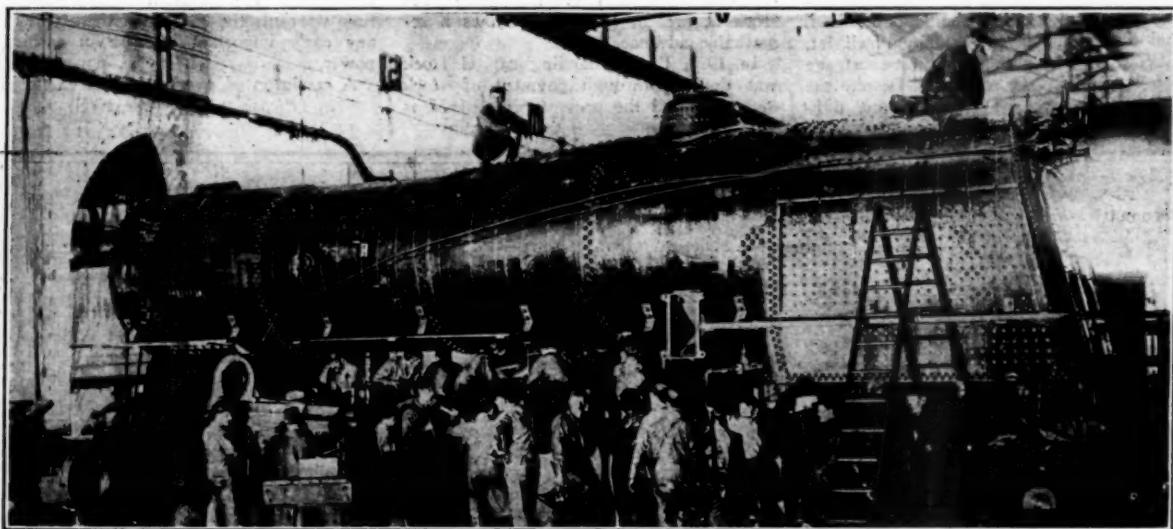


Photo by Brown Bros.

**BUILDING A BIG FREIGHT LOCOMOTIVE IN THE PHILADELPHIA SHOPS OF THE BALDWIN WORKS**  
THE MAGAZINE OF WALL STREET

reflected in 1923 earnings. With a revival of domestic business, the American Locomotive Company took full advantage of the situation and rolled up the largest profits in its history. Net came to 10.6 millions or \$21.25 a share on present basis of capitalization.

### Contrast in Finances

The difference in business policies or the source of orders received has brought about some striking contrasts in the financial condition of the two companies. As of December 31st, 1923, Baldwin reported total current assets of 53.8 millions consisting of 6.5 millions cash, 20.4 millions accounts and bills receivable, 7.3 millions of inventories, and 19.4 millions of notes and securities of various foreign governments. With total current liabilities of 10.5 millions, net working capital came to 43.3 million dollars. Not including the various foreign securities held, current assets were but 34.4 and net working capital totaled but 23.9 million dollars.

In the last balance sheet of the American Locomotive Company, cash on hand was given at 4.8 millions, U. S. Government obligations amounting to 13.3 millions, accounts and bills receivable 17.4 millions, and inventories 12.8 millions. Compared with total current assets of 53.1 millions, current liabilities came to but 6.7 millions leaving an actual net working capital of 46.4 million dollars. Needless to say, this is a far superior financial condition than that of Baldwin, and should be thoroughly considered in arriving at comparative stock values.

Summarizing the foregoing, it may be said that The Baldwin Locomotive Works has the better earning record, that is, in so far as 1922 and previous years are concerned. On the other hand, American Locomotive made the better showing in 1923, and is in a much more favorable financial position than its chief competitor, due to a more conservative sales policy. Furthermore, when it is considered that the redemption of the foreign securities held by Baldwin is still a probability, thus making some of its profits, for 1921 and 1922, contingent ones, the company's record of earnings is not so comparatively favorable after all. It is within the realm of possibility that a portion of the securities accepted in payment of foreign orders for locomotives may never be converted into cash.

While the amount of orders placed for locomotives so far this year has been quite a bit under the figure for the first quarter of 1923, there has been an important development shown in the comparative volume of orders received by the two companies under discussion. Both have, roughly speaking, about the same plant capacity and usually receive very nearly an equal number of orders for new equipment, Baldwin, if anything, being favored with the larger amount. But this has certainly not been the case in the first three months of the current year, judging from the figures available. A compilation of orders placed by various roads for this period, show 215 locomotives ordered from the American Locomotive

(Please turn to page 1065)

## Preferred Stocks

AS in the Bond Buyers' Guide we have classified preferred stocks in the order in which they appear more attractive, taking into consideration the factor of asset value, yield and standing of the individual companies in their various commercial lines, our conclusion being based on a combination of those factors, but not on any single one. For example, while American Can preferred may properly be considered the sounder security, the price at which American Ice sells makes it more attractive, in view of the ability of

the company to continue dividend disbursements and the greater yield more than off-sets the somewhat higher investment grade.

Considering the extent of the declines among common stocks of all grades, preferred stocks gave very good account of themselves. Recessions generally were restricted to one or two points, although in a few individual issues the decline was further accentuated in quotations. Good preferred stocks remain attractive for the investor dissatisfied with bond yields.

### PREFERRED STOCK GUIDE

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named. They Are Named in Order of Preference.

#### Sound Investments

	Div. Rate \$ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
<b>INDUSTRIALS:</b>				
American Ice Company.....(n.c.)...	8	79½	7.5	2.2
United States Realty & Improvem't Co. (c.)...	7	102½	6.8	2.7
General Motors Corp. deb.....(c.)...	7	100	7.0	(y) 8.1
American Woolen Co. ....(c.)...	7	100	7.0	2.8
Cluett-Peabody & Co. ....(c.)...	7	103	6.8	4.7
Loose-Wiles Biscuit Co. ....(c.)...	7	106	6.6	3.2
Standard Milling Co. ....(n.c.)...	6	85	7.0	4.3
American Can Co. ....(c.)...	7	112½	6.2	2.5
Allied Chemical & Dye Corp. ....(c.)...	7	110½	6.3	(x) 4.5
Baldwin Locomotive Works.....(c.)...	7	115	6.1	4.4
Endicott-Johnson Corp. ....(c.)...	7	111	6.3	4.6
Sears-Roebuck & Co. ....(c.)...	7	112½	6.2	12.8
<b>PUBLIC UTILITIES:</b>				
North American Co. ....(c.)...	3	44½	6.7	(w) 5.9
Philadelphia Company.....(c.)...	3	43½	7.0	8.0
<b>RAILROADS:</b>				
New York, Chicago & St. Louis.....(c.)...	6	84½	7.0	(x) 2.5
Bangor & Aroostook.....(c.)...	7	80	7.5	2.5
Chesapeake & Ohio conv. ....(c.)...	6.80	103	6.3	4.9

#### Middle-Grade Investments

<b>INDUSTRIALS:</b>				
Mack Trucks, Inc., 1st.....(c.)...	7	96	7.3	(y) 2.8
Bush Terminal Buildings Co. ....(c.)...	7	90	7.7	1.1
Coca-Cola Co. ....(c.)...	7	92½	7.5	(x) 5.1
American Sugar Refining Co. ....(c.)...	7	94	7.3	2.4
Brown Shoe Co. ....(c.)...	7	90	7.7	2.2
Bethlehem Steel Corp. conv. ....(c.)...	8	107	7.5	3.6
Cuban-American Sugar Co. ....(c.)...	7	88	7.1	6.4
California Petroleum partic. pfd.....(c.)...	7	98	7.1	1.3
J. Kayser & Co. ....(c.)...	8	90	8.1	2.0
American Smelting & Ref. Co. ....(c.)...	7	98½	7.1	1.7
American Steel Foundries.....(c.)...	7	103½	6.7	8.0
Gimbel Brothers, Inc. ....(c.)...	7	102	6.8	3.3
U. S. Industrial Alcohol Co. ....(c.)...	7	100	7.0	6.4
Armour & Co., of Del. ....(c.)...	7	91	7.7	(x) 2.9
Allis-Chalmers Mfg. Co. ....(c.)...	7	90	7.7	2.8
Associated Dry Goods Co. 1st.....(c.)...	6	80	6.9	3.4
Genl. American Tank Car Co. ....(c.)...	7	94	7.3	5.4
Natl. Cloak & Suit Co. ....(c.)...	7	91½	7.7	...
<b>PUBLIC UTILITIES:</b>				
Amer. W. Wks. & Elec. Corp. 1st.....(c.)...	7	90	7.7	(x) 2.2
Metropolitan Edison.....(c.)...	7	92½	7.6	...
Public Service of N. J. ....(c.)...	8	100	8.0	(y) 3.4

<b>RAILROADS:</b>				
Baltimore & Ohio.....(n.c.)...	4	58	6.8	...
Colorado & Southern 1st pfd.....(n.c.)...	4	53	7.5	6.2
Pittsburgh & W. Va. ....(c.)...	6	80	6.7	2.0

#### Semi-Speculative Investments

<b>INDUSTRIALS:</b>				
Famous Players-Lasky Corp. ....(c.)...	8	89	9.0	(y) 5.7
Pure Oil Co. conv. pfd.....(c.)...	8	96	8.3	3.5
American Beet Sugar Co. ....(n.c.)...	6	70	8.6	1.3
National Department Stores.....(c.)...	7	95	7.3	4.0
Fisher Body Corp. of Ohio.....(c.)...	8	100	8.0	...
Austin, Nichols & Co. ....(c.)...	7	84	8.3	(w) 1.5
Worthington Pump & Mfg. "A".....(c.)...	7	70	9.2	2.0
Orpheum Circuit.....(c.)...	8	92	8.7	(w) 2.5
<b>PUBLIC UTILITIES:</b>				
Amer. Water Wks. & Elec. 2d pfd.....(c.)...	4	70	5.7	(w) 1.8
<b>RAILROADS:</b>				
Pere Marquette.....(c.)...	5	61	8.3	2.2
St. Louis Southwestern.....(n.c.)...	5	89	8.5	1.7
Kansas City Southern.....(n.c.)...	4	83½	7.6	1.5
Southern Railway.....(n.c.)...	5	71½	7.0	1.7

(c.) Cumulative. (n.c.) Non-cumulative.  
(w) Average for last two years.  
(x) Average for last three years.  
(y) Average for last four years.  
(z) Stock was issued this year.

\* Based on average earnings during past six years.  
† Average number times earned last five years.

# A Stock Worth Watching

An Analysis of International Cement's Potential  
Earning Power—Why the Future Outlook Is Bright

THE product of the International Cement Corporation is as essential to industry and civilization as any of the known basic commodities. As demand for better roads increases, and the depletion of our forests forces builders to turn more and more to other construction materials, cement should enjoy an ever widening market. Its varied use in canals, railroads, dams, tunnels, subways, and sidewalks, etc., provides a steady demand from year to year. In other words, the market for cement is well diversified.

While this company is comparatively young in its present corporate form, having been formed in 1919, it owns the capital stock of several old established organizations, and has a strong position in the cement industry. The domestic plants, of which there are four, are located at Houston and Dallas, Texas, Bonner Springs, Kansas, and Hudson, New York. These have a combined daily estimated capacity output of 11,500 barrels.

It also owns three foreign plants located in Cuba, the Argentine, and Uruguay, which have a combined daily capacity estimated at 6,000 barrels. All plants are of fairly modern construction and equipped with oil-burning equipment, that is, with the single exception of the one at Hudson, New York. Due to the location, this plant can be operated more economically with coal than with oil.

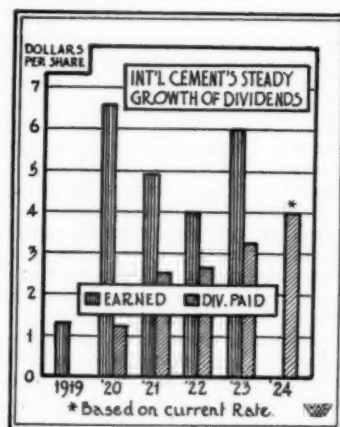
At the time of incorporation, the company assumed the funded debt of its subsidiaries, amounting to 2.1 million dollars, and issued 266,121 shares of common stock in exchange for practically all of the stock of the companies taken over. Since then, great improvement has been shown in regard to this situation. For one thing, International Cement has gradually reduced the outstanding funded debt of its subsidiaries to an almost negligible figure. It has no direct bond obligations.

The amount of capital stock of the subsidiaries outstanding in the hands of the public has been reduced from 1.1 millions to less than fifty thousand dollars outstanding. Capitalization of the parent company has been increased to 1.4 millions of 7% cumulative preferred and 364,167 shares of common stock of no par value.

## Increase in Earnings

The most notable feature of the company's earning record is the fact that a fair amount has been shown for the common stock in each and every year since incorporation. In 1919, net came to \$317,000 or \$1.33 a share which was very favorable in view of the fact that organization was not effected until November of that year. This figure rose to 1.7 millions in 1920 or \$6.65 a share, and, in spite of the severe depression that existed throughout this country, as well as in South America and Cuba during 1921, International Cement reported net of 1.4 million dollars or the equivalent of \$5.00 a share on the common stock then outstanding. Earnings fell slightly in the next year as a belated result of the depression, totaling 1.3 millions.

During 1923, plant output was increased to very near capacity, and a favorable price level for cement allowed earnings of over 2 million dollars or above \$6 a share on the common. While this was entirely satisfactory, amply covering dividends, a much better showing is expected for the current year. Plants have been enlarged to allow for a greater production, and sales are reported to be unusually good. Cement prices are stabilized around \$1.72 a barrel compared with but \$1.65 at the close of last year, and profit margin should be large. Industrial affairs in South America, and particularly in the Argentine, are improving, and a larger



demand is expected for the company's production from its South American plants. With conditions as favorable as indicated, net should go above 2.8 millions for 1924 or very nearly \$8 a share on the present basis of capitalization.

With a good earning record and outlook for further increases within the near future, the matter of next importance is the company's financial position. When operations were first begun in 1919, net working capital amounted to but 1.1 million dollars and bank borrowings totaled 1.7 millions. In five years time, bank loans have been erased and net working capital increased to 4.5 million dollars as of December 31st, 1923, although funded debt has been retired, outstanding stock of subsidiaries purchased, and more than 6.5 millions spent in the modernization and enlargements of plants. Furthermore, dividend payments totaled 3 millions in this period.

## Conclusion

Everything considered, the stock seems to have very attractive features, although the general trend of the market values may prohibit higher prices in the near future. It is now quoted around 40 to yield 10%. There is certainly no reason to believe the present \$4 dividend is at all unsecure, and the very liberal policy of the management in increasing dividends as earnings increase, is evidenced by the fact that a larger amount has been paid out to stockholders in each year since incorporation. The present rate was inaugurated in November, 1923.

It would appear to be advisable for those who are holding this security as a permanent investment to retain their shares, and to those who are not holders, we repeat the title to this article. It is a stock worth watching.

## PRINCIPAL FACTORS AFFECTING INTERNATIONAL CEMENT'S EARNINGS

Year	Price Range of Cement (Average in \$ Per Barrel for Portland)
1913.....	1.00
1914.....	0.92
1915.....	0.97
1916.....	1.19
1917.....	1.53
1918.....	1.67
1919.....	1.65
1920.....	1.80
1921.....	1.67
1922.....	1.60
1923.....	1.73

Recent Price—\$1.72

The important points to be noted from these figures as they affect the International Cement Corporation is the unusually steady increase in Portland cement production and an equally consistent increase in the price range. As this company is one of the largest and most important in the industry, it is obvious that it stands to benefit in full measure from the generally favorable conditions prevailing.

### Total Domestic Portland Cement Production (Barrels)

91,737,000
87,526,000
84,757,000
91,072,000
94,656,000
70,697,000
80,180,000
99,242,000
98,293,000
113,270,000
136,366,000

Current yearly rate—147,000

# Trade Tendencies

## Production Slightly Less Active

Period of Uncertainty at Hand—Prices  
Ease Off—Profit Margins Somewhat Less

### STEEL

#### Slowing Down

STEEL production has evidently passed its peak, and the tendency is now rather definitely toward stabilization at a lower level. The mills have recognized the fact that operations cannot be sustained at former rates which were not compatible with current or, as is now evident, prospective demand. Just how far this recession will go before a new state of equilibrium is reached cannot be foreseen at present as that must depend upon developments in leading consuming industries.

Consumers have become even more conservative than heretofore and their disposition to put off purchases is more noticeable. Railroads are still the mainstay of the steel market, being credited with as much as 40% of current demand. Motor manufacturers are less active and there is a tendency to look for further falling off in this direction over the second quarter.

### THE TREND IN MAJOR INDUSTRIES

**STEEL**—Production gradually tapering off in process of readjustment to current rate of consumption. More uncertainty in price situation with drift toward lower level.

**METALS**—Foreign and domestic demand for copper light. Consumers apparently waiting for lower prices. Their expectations partially realized as copper drops to 13½ cents. Hesitant attitude of buyers cause of ease in prices of other metals.

**OIL**—Production of crude oil holds around 1.9 million barrels daily. Stocks of gasoline and crude oil remain close to high point, February gain offsetting January increase. On basis of probable demand this situation may be materially altered in next few months, however.

**CHEMICALS**—Hesitation in other lines of industry reflected in slow demand for chemicals. Prices tending moderately downward.

**TOBACCO**—Production and consumption of cigarettes still increasing with large gains over last year. Output of cigars slightly lower. Position of industry sound.

**WHEAT**—Domestic prices suffer sharp decline as long holders liquidate, bringing quotations more nearly into line with world level. Smaller North American yield indicated for coming season.

**SUMMARY**—Industry seems headed for a period of less active production as consumers take a position resembling a small "buyers' strike." While no new developments have affected the situation in the past fortnight and while the prevailing characteristics of irregularity and uncertainty have not materially grown more pronounced, the greater hesitation or rather conservatism of business interests makes for this inference. At the same time, no real depression is anticipated but rather a trend toward lowering of profit margins in most lines of production.

### COMMODITIES

(See Footnote for Grades and Unit of Measure)

	1924	1923	*Last
	High	Low	
Steel (1).....	\$40.00	\$40.00	\$40.00
Pig Iron (2)....	\$23.00	\$21.00	\$21.75
Copper (3).....	0.14	0.12½	0.13½
Petroleum (4)...	4.50	3.00	4.50
Coal (5).....	1.88	1.88	1.88
Cotton (6).....	0.35½	0.27½	0.27½
Wheat (7).....	1.14½	1.01	1.02½
Corn (8).....	0.80	0.74	0.75½
Hogs (9).....	0.07½	0.07½	0.07½
Steers (10).....	0.10½	0.09	0.09½
Coffee (11).....	0.16	0.10½	0.15½
Rubber (12).....	0.27	0.20½	0.22½
Wool (13).....	0.50	0.55	0.55
Tobacco (14)....	0.24	0.22	0.22
Sugar (15).....	0.07½	0.06½	0.06¾
Sugar (16).....	0.09	0.08½	0.08½
Paper (17).....	0.04	0.04	0.04

\* March 31.

(1) Open Hearth billets, \$ per ton; (2) Basic Valley, \$ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, \$ per barrel; (5) Pool No. 11, \$ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, \$ per bushel; (8) No. 3 Yellow, Chicago, \$ per bushel; (9) Light, Chicago, \$ per pound; (10) Top. Heavies, Chicago, c. per lb.; (11) Rio. No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96" Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

As might be expected under these conditions, competition for business is growing keener and irregularity in prices consequently more general. With the exception of steel scrap, however, there is no demoralization, although there is no mistaking the prevailing trend. Thus far the smaller producers are hardest hit by slackening demand and it is they who are shading prices most aggressively in the attempt to hold production at the most efficient level.

Dullness in pig iron accompanies tapering demand for steel. While the lack of real buying makes for a more or less nominal market, it is noteworthy that prices are still moving downward and are now at the lowest since January and \$8 under the high of 1923.

was exceeded in but three previous months—April, May and June—of 1923. The March figures are likely to show some decline from this record-breaking performance. Several producers have become cautious and many intend to be guided henceforth by the trend of sales in laying out production schedules.

The unprecedented pace of the first two months of 1924 was caused by the desire of manufacturers to stock up in order to avoid the loss of business which occurred last year through delayed deliveries. This year, however, the selling season has been delayed and cars have not yet begun to move in the hoped for volume. This backwardness is ascribed, by the producers, to unseasonable weather throughout the country. Meanwhile, a considerable number of cars is held in manufacturers' warehouses since dealers refuse to accept deliveries until demand picks up.

The makers profess to believe that these stocks will shortly be reduced to normal by return of Spring business, although, as already indicated, they are watching the situation closely and have adopted more conservative policies.

### MOTORS

#### Sales Backward

Passenger-car production in February reached the highest total for that month in the history of the motor industry and




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*"For the Man with His First Five Hundred Dollars"*

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## Should a Young Man Speculate in Stocks?

**T**HE question of whether or not the man with his first few hundred dollars should speculate in stocks like so many other broad questions must be answered with the counter: "That depends!"

If the young man is really young and can afford to risk a little of his time and energy (for speculation takes both)—

If his few hundred dollars are "so much velvet" in actuality and are not needed by him as a tide-over for emergencies or as a nest-egg for opportunities—

If there is no one depending upon him for sustenance—or if his earning power is sufficiently large to provide dependents with all the necessities and some of the luxuries of life—

If he has made some personal study of security-speculation, believes his personal capabilities run in the necessary lines, has proper facilities and reputable brokerage connections—

If all these conditions exist, why then there is no reason on earth for advising the young man *not* to speculate. He may prove successful—many have. And if he doesn't, it will be *his* loss and only he will suffer.

But suppose our young man to have been just recently married. Suppose his few hundred dollars represent his only nest-egg—his only bulwark against things unforeseen, like doctor's bills, layoffs and so on. Suppose he can earn his living-expenses only by a narrow margin—or even suppose that he and the members of his family have had to forego most of the good things of life. Suppose he has studied or learned nothing about the art of speculation—

In such case, certainly (and you will excuse us if we put it strongly) our young man would be an arrant fool to speculate. His money, as Building Your Future Income has so often said, should be devoted to the Savings Bank, B. & L. Association and Life Insurance, at least until respectable sums have been built up through these mediums. Thereafter, his money should go into sound bonds and the soundest of stocks *bought outright*, or on a sound instalment basis, and zealously guarded against deterioration. Only securities of the highest order, representing companies of the most reputable variety, should be permitted to become a part of his investment-account. Anything approaching the speculative should be avoided, *not because there is no chance of success*, but because there is a chance of failure.

Between speculation, the art, and investment, the science, there is a great, wide gulf. Ample means, careful training and natural aptitude compose the necessary materials to bridge that gulf. Be sure *your* bridge is there—and strong enough to hold you—before you risk a crossing and, with it, a fall into the yawning chasm underneath.

# Putting a Boy Through College on 10¢ a Day

*An Interesting Example of  
the Power of Small Savings*

By ELEONORE KOSCHMIEDER

THE soundness of systematic saving was impressed upon me by an old gentleman while I was still a little girl. He claimed that had he saved as little as ten cents every day during his young life, he might have had a home of his own in which to live in his declining years. It was quite impossible for me to comprehend this, but in later years after studying banking and finance, and reading many useful articles, including those published in THE MAGAZINE OF WALL STREET, I realized the truth of this old gentleman's statement.

I believe that very few persons realize how rapidly and surely capital will grow, and to demonstrate what systematic saving and investing will do, I herewith submit a plan inaugurated by me at the time of the birth of my son, September 16th, 1917 (six years ago), and show actual figures to date.

The insignificant sum of 10c. a day is saved every day for the purpose of creating a fund for the education of my minor son. \$36.50 a year, is put aside on the "dime a day" plan and invested just as soon as a few dollars have accumulated. Previous to January 1st, 1922, when the Government withdrew from sale its small denomination securities, amounts as small as 25c. were invested in thrift stamps, later being exchanged for War Saving Stamps. War Saving Stamps earned interest at 3½%, and, while Liberty Bonds were "way below par," an exchange was made by acquiring a \$100.00 Liberty Bond for \$83.00, after disposing of the W. S. S. This bond is now about par, thereby securing a profit of \$17.00 for the fund.

Since W. S. S. are no longer on the market, my plan as it now operates is to buy a good bond on the Partial Payment Plan from a bank, and every few weeks the accumulated handful of dimes is applied as a payment towards the purchase price of the security so purchased. The coupon rate of interest is allowed on all payments; therefore these dimes are "put

Milwaukee, Wis., August 31, 1923.

## Prize Story Contest,

The Magazine of Wall Street,

New York, N.Y.

Gentlemen:

Enclosed herewith please find an article based upon actual experiment for the last six years, with a definite plan for another ten years to come.

The Magazine of Wall Street, and probably most of its readers deal in such large figures that the amounts shown in my plan may appear insignificant. However, I would kindly ask you to consider the soundness of the plan rather than the total amount of money involved.

Could I afford to put aside \$1.00 instead of 10¢ a day, an amazing story could be written.

With best wishes for the continued success of The Magazine of Wall Street, I remain,

Respectfully yours,

*Eleonore Koschmieder*

637 - Second Avenue.

a year will amount to \$365.00 in ten years, or \$587.50 in fifteen years, without any interest added or accumulated. Money doubles itself in twenty years at only 5% interest without compounding any interest. It is intended to add all interest earned to the principal, thereby compounding the same.

As soon as there is sufficient cash on hand to serve as an initial payment on the P. P. P., another bond will be selected. The difference between the assets \$276.50 and the actual savings by the dime a day plan, \$219.00, shows that the fund has earned to date the amount of \$57.50.

As the principal invested becomes larger, the income derived therefrom will increase proportionately. Every year the growth of this fund will be more rapid. The coupons clipped from the two bonds now owned amount to \$11.75 each year, which added

to the yearly saving of \$36.50 plus the interest credited on the Partial Payment book and Treasury Saving Certificate, will increase the fund more than \$50.00 this year.

A conservative estimate shows that at the end of another ten years, this fund (Please turn to page 1084)

## The Results so Far

Here are the results of my plan to date for a period of six years:

10c. a day for six years.....	\$219.00
Appreciation on Liberty Bond.....	17.00
Profit on Standard Textile Bond, called at 105.....	5.00
Interest collected on bonds and war saving stamps.....	30.60
Accrued interest on bonds owned..	2.80
Accrued interest on Partial Payment Plan purchase.....	2.10
	<b>\$276.50</b>

At this writing the assets of the fund are as follows:

4¼% Liberty Bond.....	\$100.00
7½% 1st Mortgage Real Estate Bond on Improved Milwaukee Property .....	100.00
U. S. Treasury Savings Certificate (maturity value \$25.00), cost...	20.50
Payment made on P. P. P. towards purchase of new bond.....	51.10
Accrued interest on bonds.....	4.90
	<b>\$276.50</b>

# How I Would Solve These Insurance Problems

*Readers' Inquiries Analyzed  
and Conscientiously Answered*

By FLORENCE PROVOST CLARENDON

## WOULD CONVERT WAR RISK Holder of \$5,000 Policy Would Shift to Ordinary Life or 30 Payment

*I am thinking of converting \$5,000 Government War Risk Insurance into either an ordinary life or 30-payment life policy. Which do you consider preferable? Am age 33, no dependents and well able to pay the higher premium if to my advantage in the end. Your kind advice will be greatly appreciated. I am now carrying \$5,000 30-Year War Risk and two other \$1,000 20-Payment policies at present.—W. E. M., Pittsburgh, Pa.*

I would suggest that you apply for Ordinary Life because the Disability Provision in the Government Insurance extends not only up to but beyond age 60 during the entire existence of the policy. Thus, if you became permanently disabled at any time not only up to but after that age all premiums would cease and the face value of the insurance would then be payable to you in monthly instalments. This Benefit could not be continued after age 60 or 65 in policies of private companies because disability is so apt to occur at these high ages.

Under an Ordinary Life policy in the Government Insurance the policyholder is only called upon to pay premiums so long as he is physically fit to earn a living. Disablement and incapacity to engage in any gainful form of work are very apt to occur after age 60, and this extension of the Disability Benefit at high ages in the War Risk Bureau is, of course, granted to ex-Service men as a form of pension in return for their participation in the World War.

## ARMY MAN ASKS OPINION

### Holds \$10,000 Gov't Insurance and Contemplates Adding to Coverage

*Please give me a little help in the matter of life insurance. Data: Age 37; Major, U. S. A.; married, one male child, age 10 mos.; salary, \$5,000 per year; present insurance, \$10,000 (20-Year Endowment, U. S. Gov't Insurance, in effect since April, 1920).*

(1) Have I as much insurance as I should have?

(2) If not, what additional amount do you advise, what form of policy would you recommend and in what company?—A. J. C., Washington, D. C.

You have judiciously taken your full quota of Government Insurance—\$10,000. You omit to state what other investments are included in your estate for the protection of your family in event of your unexpected death. Assuming, then, that



the \$10,000 life insurance represents the principal item in your estate, I should strongly advise you to take additional insurance—say, \$10,000, with your wife named as beneficiary and also \$4,000 20-Year Endowment to provide a college fund for your child. This Endowment would assure the means of a higher education for your son in any event since, if you should die prior to the maturity of the policy and while he was still in academic grades, the proceeds might be funded awaiting his college entrance; while, if you lived to attain the maturity date of the Endowment, you could yourself defray the cost of education from the proceeds of the policy.

The proceeds of the \$10,000 War Risk Insurance are payable in monthly instalments of \$57.50 to the beneficiary over a period of 20 years and you can thus see the wisdom of increasing your provision for family maintenance in case of your death. When applying for additional insurance it would be well to stipulate that this also be paid in instalments over a period of years or as a life income, rather than in a lump sum. This relieves the beneficiary from all responsibility in the matter of reinvestment, thus safeguarding her from imperilling her capital through unwise or unfortunate investing.

## HAS HE THE RIGHT KIND?

### Holder of \$30,000 Policies Asks Advice Concerning His Holdings

*As a regular subscriber to The Magazine of Wall Street I am taking this opportunity to ask you for some information about my insurance problems.*

*At the present time I am insured for \$30,000 as follows:*

\$10,000 New York Life Insurance Co. Endowment at age 85, with the Accelerative Endowment Option. Annual premium (2 premiums paid)...	\$258.10
\$5,000 U. S. Gov't 20-Year Endowment Policy (4 premiums paid).....	196.70
\$5,000 U. S. Gov't 20-Year Payment Policy (4 Premiums paid).....	112.80
\$7,000 Equitable Life Insurance Co. Convertible after 5 years (2 premiums paid) .....	223.79
\$3,000 Travelers Life Insurance Co. 20-Year Payment Policy (9 premiums paid) .....	62.22

*This makes amount of premiums each year \$853.61, which means about \$16.50 each week. I can save at least \$20 a week above all expenses at the present time, but figure I will be able to save more the coming 10 to 15 years. Do you think I have taken too big a load on my shoulders? If so, which policy would you advise me to drop?*

*I am 29 years old, single (but will marry within a year or so), have a widowed mother depending on my support. She is 50 years old now.—P. W. U., Brooklyn, N. Y.*

I note that you are now carrying \$30,000 Life Insurance, all placed in excellent channels. You do not state the amount of your average yearly income, nor the assets in your estate aside from this insurance protection, but for your age and in the circumstances you outline, I should consider that you are well protected as far as Life Insurance is concerned.

I would not, however, advise you to drop any of your existing policies. You say that your mother is dependent upon you for support and that you contemplate marrying within a year or so, and thus you will have two people definitely to protect against the event of your untimely death. Apparently the premium payments are not proving a burden to you and you will remember that the cash, loan and surrender values under your policies are steadily increasing with each year they are carried.

I would advise that you arrange to have the proceeds of your larger policies paid in instalments over a period of years, or for life, rather than in a lump sum; since this would relieve your beneficiaries (both women) of having the responsibility of reinvesting the face amounts. It will also lessen the need of their seeking finance advice in event of your death.

THE MAGAZINE OF WALL STREET

# What Can I Spend on a Home?

*How Would-Be Home Owners May Determine the Costs They Are Justified in Assuming*

At frequent intervals, readers of Building Your Future Income have written to ask whether on a given income an individual may wisely become the owner of a given-priced home.

Thus, one reader will say: "I am earning \$2,500 a year. Can I, on this income, afford to buy a \$13,000 home?"

The number of letters we have received of this sort suggests that some of our readers would find helpful an outline of the basic costs involved in home-owning—such an outline, that is, as would assist in determining what a given-priced home would cost to "carry."

With this in mind, the following analysis of home costs is offered for consideration.

The first thing to know about an individual home-owning project is, "Can you afford the Cash Deposit which should be made?"

Attention is called to the word *should* in the foregoing. It is used instead of the word *must* because the deposit which must be made in a given project may vary widely from that which *should* be made. In all projects, if conservatism is to prevail, a certain set deposit should be assumed, irrespective of what may be actually required.

The principle is the same as that involved in buying stocks on margin. One is not always required to deposit the same margin in all cases; nevertheless, experience has shown that the same margin—and that a substantial one—should be put up in most cases if the purchaser is to be on the safe side.

The smallest cash deposit a conservative buyer should be willing to make in purchasing a home may be set at 30% of the purchase cost. An ample deposit may be set at 40%.

Figuring on a cash deposit of 40%, then, and ignoring for the moment Carrying Charges, here is the priced-home a man with a given capital can conservatively undertake to purchase:

With This Cash Capital	You Are Justified in Purchasing This Priced Home
\$1,000	\$2,500
2,000	5,000
3,000	7,500
4,000	10,000
5,000	12,500
7,500	18,750

## A GUIDE TO WOULD-BE HOME OWNERS

On This Yearly Salary (or Income)	Allowing This Amount for "Shelter" (25%)	You Can Afford to Buy or Build This-Priced Home	Which Would Probably Involve These Total Carrying Charges (10% + \$250)	Provided You Have This Much Capital
\$2,500	\$ 625	\$3,750	\$ 625	\$1,400
3,500	875	6,250	875	2,500
5,000	1,250	10,000	1,250	4,000
7,500	1,875	16,250	1,875	6,500

With the limits of the project, as set by one's Cash Capital, ascertained from the foregoing, the next step is to determine how much of one's income may properly be set aside for Carrying Charges—in short, how much one may be justified in paying for "Shelter."

This, of course, is a very simple problem. Nobody has yet disproved the old rule, "A quarter of your income for rent," and we might as well apply this rule here.

Doing so, we find that the following salaries, or incomes, justify the Shelter costs shown:

Salary	Shelter Cost
\$2,500	\$625
3,500	875
5,000	1,250
7,500	1,875

We now come to the crux of our problem. That is, to determine what-priced home a man able to assume given Carrying Charges would be justified in erecting.

We can find the answer to this question by applying an old formula more or less regularly used in the real estate profession and which might be called the Ten Per Cent Rule. Briefly, this formula is based on the assumption that the essential Carrying Charges of a given-priced establishment will not exceed 10% of its total cost. Taking this rule at its face value, for the time, we find that the following-priced homes will cost, to "carry," as shown:

Cost of Home	Carrying Charges (10%)
\$3,750	\$375
6,250	625
10,000	1,000
16,250	1,625

To a full understanding of this rule, it is necessary to know what the essential

carrying charges of a home are supposed to include. They may be specified as follows:

*Interest on Total Amount of Money Involved (at 6%)*

*All Taxes*  
*Fire Insurance*  
*Water Charges*  
*Depreciation (at 1% of Total Cost).*

Thus, on a \$10,000 home, subject to taxes of \$250,

Carrying Charges would be as follows:

Interest	\$600
Taxes	250
Insurance	30
Water	10
Depreciation	100
<b>Total</b>	<b>\$990</b>

Building Your Future Income, however, is not satisfied with this 10% Rule, and for this reason: The essential Carrying Charges of a home, as listed above, are not the only charges involved in home-owning. In addition, there will be the cost of heating; and in most cases nowadays, there is also a special charge involved in railroad transportation. To be sure, neither of these charges is essential to continued ownership of a home, but they are both essential in most cases to *continued residence in a home.*

Granting the inclusion of these additional charges, we can estimate the average Fuel Bill at \$130 a year and the average Transportation Expense at \$120, or a total of \$250. With this average and purely approximate total in mind, we can revise our 10% Rule to read "10% Plus \$250," in which case our revised Carrying Charges on homes of given cost would read:

Cost of Home	Carrying Charges (10%) plus \$250
\$3,750	\$625
6,250	875
10,000	1,250
16,250	1,875

With all the tabulations shown in mind, we arrive at the conclusions shown in the accompanying large table. Readers who are doubtful whether or not to proceed with a home-owning enterprise are advised to consult this table, which should serve as a fairly accurate guide to the actual costs home-owning involves.

# How to Invest \$50 — a Month

*A New Suggestion to Those  
Who Wish to Get Ahead—Safely*

By RALPH RUSHMORE

**A** WHILE ago, a reader of *Building Your Future Income* defied the writer to point out a single financial house through which Baby Bonds could be purchased on a "square deal basis." The "defi" was accepted, a special inquiry was instituted and the necessary pointing out was promptly done. Something over 125 other readers, who wanted the same information once they learned it was available, were also informed.

Shortly afterwards, several inquiries appeared relative to "partial payment investing"—inquiries from readers who wanted to know whether reputable houses offered facilities in this connection. Again a little private investigation was undertaken—again the results were favorable—and again the desired information was given.

There was a lapse for a few days. Then there drifted in a letter from a reader to the effect: "Your articles on *Baby Bonds* and *Instalment Plan Investing* noted. What can you tell us about *Guaranteed Railroad Stocks*?" This has always been more or less of a pet subject, as it happens, with the writer, so no further urging was needed for a little discussion about guaranteed rail securities. The subject seemed to appeal to *Income Builders*, too, for more letters were received and answered concerning issues of this class than in either of the two preceding cases.

Now comes a verbal inquiry, from a friend, to this effect: "I see you're playing up instalment-plan bond buying. Why not mention the *Blank & Co. plan*? Don't you believe in it?"

We certainly do.

## Who They Are

*Blank & Co.* is one of the best known non-member houses in Wall Street. By "Wall Street" we mean the American financial center—not the narrow canyon that runs from Broadway to the East

River in the lower part of New York. *Blank & Co.* was formed a good many years ago, and has what may be called a national organization, including offices in New York, Chicago, Philadelphia, Boston, Detroit, St. Louis, Milwaukee and Minneapolis.

*Blank & Co.* offers investors what is, everything considered, one of the most attractive means of building an income through monthly payments to be found in *The Street*. It does, through its instalment-sales department (only they don't call it that) one of the largest businesses, in volume, done by any retailer of investment securities. In brief, this is its plan:

*Blank & Co.*, in the first place, are large underwriters of high-grade bonds. They have been underwriting high-grade bonds for a good many years with conspicuous conservatism and noteworthy success, and, like other investment houses of the old-fashioned sort, have gotten into the habit of confining their underwritings to securities which "make good."

*Blank & Co.*, in the second place, are dealers (retail) in these same high-grade bonds. Only—and this is what gives this little article its point—besides dealing in bonds in the regular way, they also offer them on the basis of so much down and so much a month. In other words, they offer the bonds they have underwritten for sale on the investment-buying plan.

The plan which *Blank & Co.* requires buyers to adhere to may be better expressed in their language than in mine:

## THE INVESTING POWER OF A \$5,000 INCOME \*

Necessities		Advancement		Summary			
	Per Month	Per Year		Per Month	Per Year		
Food .....	\$75	\$900	Medical ....	\$10	\$120	Total Income .....	\$5,000
Shelter .....	75	900	Education ...	10	120	Less Expenses for	
Clothes .....	60	720	Recreation ..	20	240	Necessities and	
			Gifts .....	10	120	Advancement ....	4,032
			Incidentals ..	11	132		
MAINTENANCE, ETC.						Surplus .....	\$968
Service .....	30	360				Less Federal In-	
Fuel, Light,						come Tax .....	68
Gas, Ice ...	20	240					
Furniture and						Net Income .....	\$900
Household						Less Insurance....	300
Equipment..	15	180					
Total...	\$275	\$3,300	Total...	\$61	\$732	Investing Power...	\$600
						(Per Month) ....	50

\* This analysis prepared by a widely-known investment banking house whose facilities are described in the accompanying text.

"The purchaser makes his first payment of at least 10% of the par value of the bonds purchased and agrees to complete payment in amounts of at least 10% of the par value during each succeeding month until payment is completed. The purchaser may, of course, make larger payments than arranged for and may complete payment at any time that he desires to do so.

"We retain interest on the bond during the period of payment and allow interest on all payments from the date of receipt to the date of final payment, the rate depending upon general market conditions—thus the buyer obtains the benefit of interest while his funds are accumulating.

"The purchaser is given a card, on which his payments are recorded as in the case of savings accounts."

*Blank & Co.*, in connection with its banking operations, has compiled a most interesting little investment-library service. I find that it has gone very deeply into the subject of "capitalizing your income" and has produced some exceedingly interesting charts showing how much a man of given means and income can properly afford to invest in bonds, through its instalment-buying plan, and how much of an estate such an investment will pile up over a given period of years. Such charts are always fascinating. In this case, I think it is fair to call them inspiring. For example, *Blank & Co.* show that, by the investment of a few cents less than \$51 per month over a period of slightly more than 11 years, the interest-return being 6% and both principal and interest being regularly re-invested, a fund of \$10,000 may be created. The boy who starts at age 20 and invests \$51 per month on this 6% basis regularly will have \$100,000 tucked away by the time he reaches 60 and wants to retire!

(Please turn to page 1066)

## Points for Income Builders

## Definitions of a Few of the More Frequently-Heard Financial Terms



ONE'S "title" to property, real or personal, is his established and recognized right to possession and ownership of that property, according to the laws surrounding its location. The title may be "good," "bad," "marketable," etc., and it may pass according to various legal stipulations, some of which are described in the following:

**Bad Title**—A "bad title" is one which fails to properly establish the right of ownership to the property in question. It is a title which has been found to be defective.

**Doubtful Title**—One whose validity, or invalidity, has not been definitely established.

**Good Title**—A title whose validity has been conclusively established, which is "without flaw," and is therefore sufficient to the conveyance of ownership.

**Marketable Title**—One "which the court considers so free from objections that its acceptance will be enforced by the Court." (Crowell.)

**Tax Title**—Title to lands acquired through purchase at tax sale.

**Title by Abandonment**—Title to property recovered after it has been demonstrably abandoned by previous owners, subject to interpretation according to the laws of the locality.

**Title by Accession**—"Is acquired in several ways," says Crowell's Dictionary of Business & Finance, "namely, by addition to real or personal property, by the working of natural forces, floods, procreation, etc., by annexation as when fixtures are attached to real property; by innocent appropriation and utilization of the personal property of another as when the goods of one person become confused with those of another or incorporated within the productions of another."

**Title by Discovery**—Such title as would pass to an explorer upon his discovery of hidden and abandoned treasure.

**Title by Finding**—Title to personal property found on land and whose finder, for APRIL 12, 1924

after due diligence, is unsuccessful in locating the former owner.

**Title by Increase**—Includes title to accretions of land on owned property resulting from natural causes, title to interest on credits extended to another, title to natural additions to animal and natural life, etc.

**Title by Occupancy**—A form of title which, broadly speaking, results from the proper entrance upon, possession and improvement of Government lands, where the laws surrounding such possession and occupancy are fully and properly observed

and the various statutory requirements are fulfilled.

**Title by Reliction**—"One acquired by the working of natural forces which cause a permanent recession or withdrawal of water from the lines formerly occupied by it." (Crowell.)

**Title Insurance**—As a form of protection, covering the purchaser of real estate from any defects which may develop in the title to such real estate, title insurance has become an established insurance form.

**Title by Adverse Possession**—"May be acquired by exclusive, actual, continued possession under a colorable claim of title, generally for a period of twenty years or more; but lex loci (the laws of the locality) must be consulted as to just what acts constitute the above essentials." (Crowell.)

## Life's Dreamers—No.2



The man whose idea of investing was taking a flier in cheap oil stocks

# Public Utilities

## What to Know Before Buying Public Utility Securities

Holding vs. Operating Companies: Speculation or Investment?—Some Practical Suggestions to Investors



**P**RELIMINARY earnings reports of a number of the better known companies in the utility field have been published and it is now possible to compare the results for the year 1923 and to draw some rather interesting conclusions as to the speculative and investment possibilities offered by the various common stocks of holding and operating companies. It is possible to generalize and conclude that the best speculative opportunities seem to be offered by the stocks of holding companies, whereas the stocks of operating companies, particularly those in the electric light and power field exclusively, would seem to be somewhat closer to the investment plane.

Before taking up the various companies in detail, let us consider briefly what are the chief characteristics of a so-called public utility holding company and why holding company common stocks as a class offer better speculative possibilities than do those of a company operating in some one locality or in some one city.

### Holding Companies

A holding company is exactly what the name implies: the common stocks, and very often securities too, of many "subsidiary" companies are held or owned by the parent company. With this ownership usually goes management and control of operating policies, direct or indirect financing of capital requirements, and a consolidation of the functions of engi-

neering, purchasing, accounting, and other minor administrative details.

Economy in operation through increased engineering efficiency and through the elimination of duplicate departments found among smaller individual companies is the primary purpose of the holding company. Whether a company of this type proves to be a profitable enterprise from a common stockholder's point of view depends far more upon the manner in which the subsidiary companies have been financed than upon the actual capital structure of the holding company. For instance, it is too often the case that the subsidiary companies' properties are so heavily bonded and on top of them the holding company itself has such a number of collateral trust bond issues that there is really no equity whatsoever for the holding company common stock. It is only too true that such capital stocks of holding companies represent nothing but earning power and in a sense are therefore equivalent to the common stocks of many industrial companies.

It is not always possible to determine just exactly how the common stock of a holding company stands as regards the total capitalization of the company and its subsidiaries, but there is one very simple means of determining whether this stock is a small or a large proportion of the total capitalization of a system of companies. It is possible when a consolidated earnings statement of a holding company is presented to add up the total fixed charges of the company and its subsidiaries, the depreciation reserves set aside, and the preferred dividend requirements, and compare all of these more or less fixed charges with the net income of the system. In the case of many holding

companies it will be found that the sum of these fixed charges ranges upwards of 75% or better of the total net income, whereas in the case of operating companies the total of all fixed charges may be considerably less than 70%.

It is in this particular feature, then, of public utility capitalization that the speculative element lies. It can readily be seen that a slight increase in the net operating income of a holding company whose total fixed charges range over 80% of such net income will cause a very large relative increase in the per-share earnings on the holding company common stock.

### Annual Reports

Although uniform systems of accounting for operating companies are prescribed in most states, there is no convention or limitation upon the manner in which a holding company may disclose or hide its earning statements in annual reports.

At the risk of being too theoretical, it may be worth while to summarize the manner in which the reports of various holding companies are set up. Some companies merely show the earnings received as interest and dividends on the securities of subsidiaries that are owned by the parent company; others show the income received from subsidiaries in the form of dividends and interest and add thereto the surplus net earnings of the subsidiaries, sometimes before and sometimes after the depreciation, for the consolidated figure (American Gas & Electric Company, American Power & Light Company).

Other companies merely give out one statement of consolidated earnings of the parent company and subsidiaries (North American Company, Consolidated Gas

TABLE I.  
COMMON STOCKS OF THE PUBLIC UTILITY OPERATING COMPANIES  
1923—Earnings

	Number Shares	Earned Per Share After Depreciation	Approximate Market	Dividend 1923	Approximate Yield (%)	Per Cent Earned Mkt. Price
Brooklyn Edison .....	437,043	\$13.07	\$111	\$8.00	7.2	11.7
Commonwealth Edison (Chi.) .....	720,000	10.48	133	8.00	6.0	7.8
Consol. Gas-Elec. Lt. & Pr. (Baltimore) .....	175,320	24.90	114	8.00	7.0	22.2
Detroit Edison .....	435,059	11.85	105	8.00	7.7	11.2
Pacific Gas & Electric.....	356,308	10.25	94	8.00	8.5	11.0

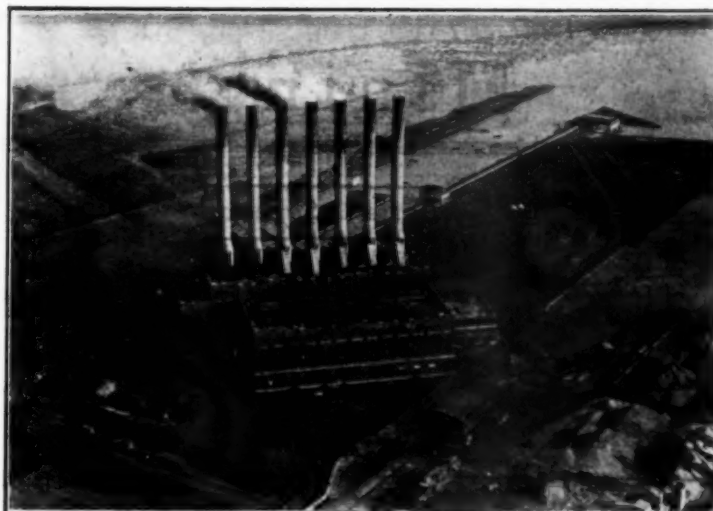
Company). In between these three methods of presentation we have many variations, such as the case where a company may show consolidated earnings of several subsidiaries but only indicate dividends or interest received from others.

The only way to reduce holding companies to a comparative basis is to take a consolidated income account of the holding company and all of its subsidiaries after deducting depreciation reserves set aside by the various subsidiary companies. Where such depreciation reserve is not shown it is very often possible to make a close estimate based on figures known from a preceding year or based upon 5 or 6% of gross earnings, which is the ratio obtained in the case of most strong electric light and power companies particularly.

#### Operating Companies

In the case of operating companies it is much simpler to compare the earnings per share on the various common stocks because most of the companies follow fairly uniform systems of accounting and indicate the various reserves set aside. For the purpose of our comparison we shall take four companies operating in cities (Brooklyn, Chicago, Baltimore and Detroit) and one other not strictly comparable to the others but nevertheless an operating company (Pacific Gas & Electric Company). By referring to Table 1 the earnings per share for the year 1923 of these various companies may be seen and also an indication of the percentage earned on the market price, which affords some index of the comparative desirability as investments of the various stocks.

1. *The Consolidated Gas, Electric Light and Power Company of Baltimore* as an investment stock would seem to be selling out of line.



The Connors Creek Plant of the Detroit Edison Co.

The market situation in all probability is tending to keep the stock selling at a lower relative level than the others, as very nearly two-thirds of the stock is held in the state of Maryland and most of the dealings in the stock take place in Baltimore.

2. *The Brooklyn Edison Company's* stock is listed on the New York Exchange and now sells to yield about 7.2%, and the \$8.00 dividend which has been paid since 1904 would seem to be most secure. In addition, the Brooklyn Edison Company has been offering stockholders rights to subscribe to additional stock for the last few years, which rights may be considered somewhat as an extra dividend. This stock is very attractive for investment.

3. *The Pacific Gas & Electric Company* has only recently placed its stock on \$8.00 dividend basis, evidently with the intention of selling its stock to customers, as is being done by all of the other companies in the table. This stock offers the highest yield of the group and in time might be expected to sell up closer towards par. The earnings for the year 1923 were somewhat lower than they might have been had not a serious rate

cut been put into effect by the California Railroad Commission. In spite of the cut, however, the gross earnings of the company increased and it may be expected that the year 1924 will show materially better earnings than those of the year 1922.

In Table 2 we have set forth the common stocks of a number of the better known holding companies and it is possible to draw some inferences from the earnings shown for the year 1923. All of these companies are not strictly comparable, either from the point of view of size or previously demon-

strated earning power, but the tabulation does indicate wherein the most speculative opportunities seem to lie.

1. In the past three years, the *American Gas & Electric Company* common stock and the *North American* common stock, which have been split up, have shown the original holders a very substantial profit but there is considerable question as to whether or not the possibilities of such large profits being repeated in the next few years have not been somewhat diminished by reason of the number of shares of stock now outstanding.

2. The future course in the market of the *American Light & Traction* common stock will depend to a large extent upon the matter of rates of the Detroit Gas Company, the largest subsidiary. This issue is not particularly attractive in comparison with others.

3. The *Commonwealth Power Corp.*, which has recently been divorced from its non-paying electric railways, would seem to be the most substantial speculation of the group in that its earning power has now been demonstrated by one good year and may be expected to grow with the growth of Michigan, particularly

(Please turn to page 1086)

TABLE II.  
COMMON STOCKS OF THE PUBLIC UTILITY HOLDING COMPANIES  
1923—Earnings

	Number Shares	Earnings Per Share After Depreciation	Approximate Market	Dividend 1923	Approximate Yield (%)	Per Cent Earned Mkt. Price
American Gas & Elec. Co.....	781,000	\$5.57	\$57 1/2	\$1 cash 1/25 sh.	6.0	9.8
American Elec. Power.....	189,200	7.29	25	0	0	29.0
American Light & Traction.....	306,397	9.97	129	\$4 cash 1/25 sh.	7.0	7.7
Commonwealth Power Corp.....	200,000	11.55	71	4	5.64	16.2
General Gas & Electric.....	45,275	14.80	23	0	0	64.4
Middle West Utilities.....	179,276	11.65	54	0	0	21.6
North American Company.....	2,426,464	3.11	24	\$2 cash or \$2.50 stock	10.0	13.0

# Mining

Granby Consolidated

Butte & Superior

Greene Cananea

## Three Lame-Ducks in the Mining Field

Higher Operating Costs Without Compensating  
Higher Prices For Their Products—Status  
of Three Companies and Their Prospects

### Granby Consolidated

IT is now going on five years since Granby Consolidated stockholders have received any return in the shape of dividends. Years ago, Granby was a good payer of dividends, and it is somewhat surprising that in a year like 1920, when the year's average price for electrolytic was 18c. a pound, to find Granby on the list of non-dividend payers.

The crux of the matter is that Granby is not a low-cost producer, and this is the day of low-cost producers. Moreover, the company has been under such expenditure in increasing its holdings and developing new properties in the last few years that it could not conservatively declare dividends.

The original Granby Consolidated Mining, Smelting & Power Co., to give it the whole of its long name, was incorporated under a special act of the Province of British Columbia in 1901. At that time, its holdings consisted of the assets of the following corporations: Old Ironsides Mining Co., Knob Hill Gold Mining Co., Ltd., Grey Eagle Gold Mining Co., Ltd., Granby Consolidated Mining & Smelting Co., Ltd., and the Grand Forks Water Power & Light Co. Since that time Granby has acquired in whole or in part, interest in the following companies: Crow's Nest Pass Coal Co., Ltd. (part interest), Hidden Creek Copper Co. (entire capital stock), Snowshoe Gold & Copper Mines, Ltd. Also the Midas Mine near Valdez, the Mamie Mine near Hadley and the Deans' mine on the west side of Kasaan Peninsula, Prince of Wales Island, Alaska.

In May, 1923, the company, through the exchange of stock, acquired 90% of the stock of the Allenby Copper Co., Ltd., which was incorporated in the same year to take over the properties and assets of the Canada Copper Co.

Glancing over the details of Granby's varied holdings one is impressed by the fact that the company has a lot of property, but turning to its income statements and balance sheets, one is also impressed by the fact that it costs a lot to operate

those properties. In 1919, for instance, when gross revenue from operations totaled \$5,958,682, operating costs, general expenses, insurance and taxes, etc., aggregated \$6,600,000, round figures, so that crediting other income of \$602,000, the total income before deductions showed a deficit of nearly \$100,000. In 1920, total income again showed in the red, and in 1921, when total income showed a favorable balance of \$687,000, interest of \$596,076, exchange and discount of \$78,127 and "other expenditures" of \$300,000 converted the favorable balance into a net income deficit of \$287,162.

In 1922, the company did the best it has done for a long time, reporting a total income in excess of \$1,000,000. Bond interest of \$287,300, plus reserves for depreciation and depletion of \$1,418,064, resulted in a profit and loss deficit for the year of \$622,429. Granby, then, has had a hard row to hoe, and it is evident that there must be a substantial improvement in the price of copper metal before the company can even consider dividends.

#### Financial Position

The vicissitudes with which the com-

pany has had to contend are reflected in its balance sheets. There is approximately \$19,000,000 of stock, par \$100, outstanding, which does not include stock issuable for stock of Allenby Copper, against \$15,000,000 in 1921. Funded debt is approximately \$4,000,000 or more than double that of a few years ago, and the profit and loss surplus, which stood at approximately \$9,500,000 at the end of 1917, has changed to a profit and loss deficit of \$738,000 according to the company's last annual statement. Working capital of \$5,205,258 as of December 31, 1917, totaled \$1,085,382 as of December 31, 1922.

Granby seems to have a jumpy method of charging off depreciation and depletion. The big drop in the surplus account in 1918 was due to charging off upwards of \$6,000,000 for depreciation and depletion on the Hidden Creek and Phoenix properties in addition to \$2,000,000, round figures, written off for the same purpose from the year's earnings. In 1919, the sum of \$764,570 was charged off for depletion and depreciation and then nothing further until 1922 when the lump sum of \$1,418,000 was written off on account of those items. In other words, Granby's stockholders apparently never know when the depreciation item is going to strike them next nor for how much.

Granby's relatively poorer earnings and altered financial status have been reflected in the price of its stock as the table here-

#### GRANBY CONSOLIDATED

##### Granby's Earnings (Years Ended Dec. 31)

	Gross Revenue in Millions	Net Income in Millions	Earned per Share	Paid per Share	Year's Surplus in Millions	Price Range of Stock		
						H.	L.	
† 1913	\$4.7	\$1.1	\$7.99	\$3.00	\$0.7	1914	91	60
† 1914	4.5	0.4	2.93	6.00	d 0.4	1915	94½	58
† 1915	5.0	0.9	6.19	....	0.9	1916	120	79
† 1916	11.3	3.8	25.46	6.00	2.9	1917	92	66
† 1917	12.2	3.9	25.44	9.00	2.6	1918	86	74
† 1918	11.4	1.5	10.18	10.00	0.0	1919	76½	48
† 1919	5.9	d 0.9	....	8.75	d 2.2	1920	49	16½
† 1919	0.5	0.0	.40	....	0.0	1921	31	15¼
1920	6.6	d 0.6	....	....	d 0.6	1922	33	22
1921	7.2	d 0.2	....	....	d 0.2	1923	33	12
1922	5.2	* 0.6	....	....	d 0.6	Recent price 14		

\* Deficit after depletion. Balance of \$26,311 before depletion.

† Years ended June 30. ‡ Six months ended Dec. 31.

d Deficit.

with shows. Given several years of copper at around 15c. or 16c. a pound and Granby could bolster its financial structure to the point where it would be proper to consider dividend resumption. But at this writing there is nothing to indicate that the copper market will reach those

levels for any length of time. For that reason Granby's stock at 14 a share is considerable of a speculation, and we prefer other copper issues whose production costs are low enough so that they can earn and pay dividends on the present price of the metal.

for metals during the war. In this respect zinc is in the same boat with copper.

### 1923 Earnings

Butte & Superior at the present time is probably just about breaking even. Its preliminary report for 1923 shows a deficit of \$13,630 as compared with a deficit of \$11,691 for 1922, both results being arrived at before depletion. Inasmuch as the preliminary report is figured on a different basis than the results shown in the tabulation herewith, which represent the full final reports, no attempt is made at this time to compare the preliminary figures with the final figures yet to come.

Butte & Superior has no funded debt. Its capitalization consists of an authorized issue of \$3,500,000 stock, par \$10, of which \$2,901,977 is outstanding. The company is in good financial shape, its management has been signally successful in operating mining properties, and all the company needs to show good earnings is a favorable zinc market.

Inasmuch, however, as there is no prospect at this writing of any substantial advance in the price of zinc and as it is evident that Butte & Superior can conservatively do nothing under existing conditions in the way of dividends resumption, the stock must be regarded a speculation and one offering considerably less possibilities than some other mining companies more happily situated.

## Butte & Superior

**L**OWERED prices for metals, declining percentages of recoveries from ore mined, higher wages and higher costs for supplies, i.e., increased overhead, are the chief reasons for Butte & Superior's unsatisfactory showings in the last few years.

Yet this company a decade ago used to make good earnings and pay satisfactory dividends with zinc, its main product, at or even below present levels. In 1913, for instance, when the year's average price for zinc was 580c. a pound, Butte & Superior earned approximately \$3.50 a share on its outstanding stock.

Lowered metal recoveries from ores mined is, perhaps, Butte & Superior's chief problem. From its mines Butte & Superior recovers five important metals, namely, gold, silver, copper, lead and zinc. In point of volume they rank as follows: zinc, lead, copper, silver and gold. A decreased recovery in any one of these metals would mean, of course, a decrease in earnings, provided it was not offset by an increased recovery in one or more of the other metals.

Let us compare the year 1922 with the year 1916, for example, for the reason that the tonnages mined in 1922 were almost exactly 50% of the 1916 tonnages. In order to make the comparison clear let us multiply by two the ore tonnages mined and the totals of metals recovered in 1922, as follows:

1922 Results (Multiplied by 2)	1916 Results	Decrease
Ore mined, 625,902 tons	628,803 tons	811
Produced from Ores		
Gold .. 5,194 ozs.	6,619 ozs.	1,425
Silver... 3,251,708 ozs.	4,126,938 ozs.	875,230
Copper, 1,840,736 lbs.	2,390,416 lbs.	549,680
Lead... 14,561,434 lbs.	15,487,518 lbs.	873,084
Zinc .. 184,064,838 lbs.	196,083,557 lbs.	1,018,719

Of course, the fact that the 1916 tonnage of ore mined was 2811 tons more than the

doubled results for 1922, would cut down the decreases somewhat, but the above tabulation shows clearly that Butte & Superior is not making its former recoveries.

The decline in the price of silver has also adversely affected the earnings of the company. Being a domestic producer, it obtained \$1 an ounce for its silver from U. S. Treasury purchases, and when, following the expiration of the Pittman Act on June 15, last, the price of silver fell approximately 33 1/3%, Butte & Superior suffered from the drop. Silver selling at 64c. an ounce, where it now is, as compared with silver at \$1.00 an ounce under the Pittman Act, means a difference of \$575,000 annually on Butte & Superior's 1922 silver production.

Moreover, the market for zinc, or spelter, as it is known in the trade, has suffered from the over-stimulation which was the result of the tremendous demand

## Greene Cananea

**T**HIS company is another of the high cost producers which cannot pay dividends except in times when the price of copper metal is above the average range. In fact, one often wonders whether companies like Greene Cananea would not be better off in the long run if they closed down completely while copper is around present levels, for while such a procedure would be costly, it is a question of whether it is as costly as producing copper and selling that much of the company's assets at a loss. Of course, the matter of the disintegration of organization is one which cannot be regarded lightly, and probably that is the reason the

company continues to keep going under adverse conditions.

In 1917 and 1918, Greene Cananea was able to earn and pay handsomely on its stock, as the table herewith shows. But those two years saw the highest average prices for copper in the history of the industry, namely 29.8c. and 24.68c. a pound, respectively. In 1920, when the yearly average price was about 18c. a pound, Greene Cananea was not able to do much more than break even. That was chiefly because it had not succeeded in getting its costs down from the war-time inflation basis, for in that year its cost per pound of copper produced was 18.01c.

Since then Greene Cananea has made much progress in the matter of costs per pound, the figure for 1922, the year last reported, being 13.81c. Nevertheless, in 1922 the company had a total income deficit of \$551,000 and a net income deficit of approximately \$1,460,000. Greene Cananea is one of the old-line copper organizations, having been incorporated in 1906. It originally acquired the stock of the Greene Consolidated Copper Co. and the Cananea Central Copper Co. The first mentioned concern was a holding company owning all of the stock of the Cananea Consolidated Copper Co., S. A., and the Cananea Central Copper Co. owned all the stock of the San Pedro Copper Co., S. A.

Greene Cananea's chief properties are (Please turn to page 1064)

### BUTTE & SUPERIOR

Butte & Superior's Earnings					Price Range of Stock Boston Stock Exch.		Yearly Average Average Price of Monthly of Spelter (St. Louis) cts. a lb.
Total In- come in Millions	Net In- come in Millions	Earned per Share	Paid per Share	Year's Surplus in Millions	H.	L.	
1914	\$1.4	\$1.4	\$5.21	\$2.25	\$0.8	1914 40 3/4	24
1915	9.1	9.1	33.47	\$3 & \$15 ex.	4.2	1915 80	35 1/2
1916	8.8	8.8	31.79	\$4 & \$30 ex.	d 0.6	N. Y. Stock Exch.	
1917	3.0	0.2	.94	\$5.40	d 1.2	1915 79 7/8	53
1918	1.0	0.6	2.17	....	0.6	1916 105 1/4	41 1/8
1919	1.3	0.8	2.98	....	0.8	1917 52 1/4	12 1/4
1920	0.5	0.1	.65	....	0.1	1918 33 1/2	16 1/2
1921	0.0	d 0.7	...	....	d 0.7	1919 37 1/2	16 1/8
1922	0.4	d 0.2	...	*.50	....	1920 29 1/4	8
1923	A	A	...	1.00	d 0.4	1921 22 1/2	10 1/4
* Capital distribution. A See text. d Deficit.					1922 35 1/4	20 3/8	1922 5.71
					1923 37 1/2	12 1/8	1923 6.60
					Recent price 15 1/2		Recent price
							6.30

## ANSWERS TO INQUIRIES

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## TOBACCO PRODUCTS

## Value of Common Stock

*In view of the lease made by Tobacco Products with the American Tobacco Co., what would you say is the present intrinsic value of the common stock? Also earnings.—A. M. G., Boston, Mass.*

Through the deal with American Tobacco, Tobacco Products will receive 12 million dollars in cash and 2.5 millions annually as rental. The 12 millions cash is just sufficient to provide for the retirement of Tobacco Products funded debt and 7% preferred stock. Tobacco Products now owns 290,000 shares of United Cigar Stores stock, which is paying 12%. Income from this source, together with the rental from American Tobacco, provides 5.9 millions annually which, after allowing for dividends on the A stock, is equivalent to 6.3% on the common.

At 170 for United Cigar Stores stock, Tobacco Products' 290,000 shares have a market value of 49 millions. Deducting from this the A stock outstanding at \$100 a share, leaves a balance equivalent to \$10 a share on the common stock. The company recently sold 50,000 shares of Montgomery Ward stock for approximately a million and a quarter, equal to \$3 a share on the common. Deducting this \$13 a share from the present market price of 56, gives a figure of 43 for the common, which would represent the equity in the American Tobacco Company lease. Annual payments under this lease are equal

to \$5.50 a share on the common stock, and 43 would represent a conservative value.

## TEXAS PACIFIC LAND TRUST

## A Liquidating Proposition

*Please let me have some information in regard to Texas Pacific Land Trust. What prices has the company recently been earning for its land and what acreage is still unsold? Are dividends being paid?—J. C., Fort Worth, Texas.*

Texas Pacific Land Trust is a liquidating proposition. There are no dividends being paid to holders of the certificates, income of the company from the sale of land being applied to purchase and cancellation of the outstanding certificates. At the close of 1923 there were outstanding \$2,068,700 certificates, par value \$100. Balance sheet shows bills receivable taken for deferred payments on land sales of \$1 million, and cash \$38,000. Land owned consists of 1,971,000 acres situated in 31 different counties in Texas, with an assessed valuation of 2.8 millions. The average price received per acre sold in the past five years was as follows: 1919, \$7.43; 1920, \$6.70; 1921, \$5.88; 1922, \$5.70; 1923, \$9.35.

Increase in price received per acre in 1923 was due to the fact that sales were largely confined to the more valuable land. In Jeff Davis and Culberson Counties the company has 640,000 acres, and, while none of this land was sold in 1923,

20,000 acres were sold at \$5 an acre in 1922. The next largest holding is 389,731 acres in Hudspeth County, of which 1,920 acres were sold in 1923 at an average of \$8. In recent years the company has not sold any acreage under \$5 an acre, and has succeeded in selling some acreage in nearly all counties at this price or better.

On a valuation of \$5 per acre for its land, and including the present current assets of the company, the certificates have a book value of about \$500 a share. This is after deducting from the land valuation 25% for sales expense, etc. At the present time the company is receiving rentals collected on grazing leases, considerably in excess of taxes. In 1923, the company purchased 893 certificates at an average cost of \$324. The certificates appear to be an attractive long-pull holding.

## REPUBLIC STEEL PREFERRED

## No Reason to Sell

*In view of the way Republic Iron & Steel common has been acting, I have been wondering whether it is safe for me to hold the preferred stock, which now shows me a small loss. Had I better switch to something else?—A. M., Schenectady, N. Y.*

Due to a conservative dividend policy and large earnings reported in 1923, Republic Iron & Steel has greatly strengthened its financial structure, and we feel that the preferred stock is now entitled to a good investment rating. Our advice is to hold it rather than to switch to anything else just now.

## TENNESSEE COPPER &amp; CHEM.

## Long-Pull Possibilities

*I have 200 shares of Tenn. Copper and would like to know if it is worth holding. Will the Ford development of Muscle Shoals have an unfavorable effect upon this company?—T. T., New York City.*

We consider Tennessee Copper & Chemical stock to have fair long-pull possibilities at present levels. The Ford Muscle Shoals project should be a more favorable than unfavorable development for this company, as it does not sell mixed fertilizer, but only ingredients, such as

## SPECIAL REPORT DEPARTMENT

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# Money and Motors

Bankers are keenly interested in the automobile business for the following reasons:

1. The large amount of capital invested in the industry.
2. The large amount of public money invested in the purchase of cars.
3. The broad development of local business and expansion of trading territory due to the rapid and more economical transportation of goods and merchandise.
4. The volume of secured loan business developed through the financing of consumer and dealer purchases.

The four basic needs of civilization are food, clothing, shelter and transportation.

Man's capital is TIME. Double its distance value and you double his producing power.

The progress of civilization has paralleled man's facilities for transporting himself and his production.

Now that the automobile has achieved first place in means for transportation, both of goods and people, it is important that the banker's policy towards this fundamental industry be based on accurate knowledge, because on the correctness of his judgment largely depends not only the progress of the industry but also the commercial development of the territory served by his bank.

The Chevrolet Motor Company, a division of General Motors Corporation, invites the banker's consideration of its leadership in *Economical Transportation*, the exceptional strength of its financial, productive and distributive facilities, and the manifest advantages to the banker and his patrons resulting from efficient and reliable Chevrolet representation in his territory.

## Chevrolet Motor Company

*Division of General Motors Corporation*

**Detroit, Mich.**

In Canada—Chevrolet Motor Company of Canada, Limited, Oshawa, Ontario

## SERVICE SECTION

acid phosphate, for which there would be a demand if fertilizer is manufactured at Muscle Shoals, to mix with the nitrates. While we think well of the stock, it may be somewhat slow, as it is not paying anything at the present time, and instead of retaining your 200 shares, it would be a good idea in our opinion to switch 100 to Willys-Overland common, selling around 10. Earnings of this company were equal to over \$5 a share on the common in 1923.

### NATIONAL DAIRY PRODUCTS Good for Long Pull

*I would like you to suggest a stock that gives a good return on the money at the present time, and which you could consider is all right to hold for the long pull. I want the stock of a company whose business is not much affected by moderate depressions in general business.—J. T. C., Los Angeles, Cal.*

An excellent stock to hold for two or three years' pull, in our opinion, is National Dairy Products, paying \$3 a share per annum and selling around 33. This is one of the largest ice-cream and soft drink manufacturers in the country, and in the past its business has not been adversely affected by general business depression. In purchasing this you would receive a good return, and we believe that your principal would appreciate in value.

### VANADIUM STEEL

#### Switch to Montgomery Ward

*What is your opinion of Vanadium Steel, of which I hold 50 shares.—S. K. F., Ridge-wood, N. J.*

Vanadium Steel has shown a poor earning power for the past two years, and there appears nothing in the situation to warrant any important increase in earning power. We consider the stock high enough at present levels and believe that you would improve your position by switching into Montgomery Ward selling around 26.

### ILLINOIS CENTRAL CONVERTIBLE PREFERRED

#### A High-Grade Investment Stock

*In view of the political situation in Washington and the uncertain stock market we are now having, I am uncertain exactly what to do with some surplus funds I now have available. In the March 15th issue of THE MAGAZINE OF WALL STREET I notice your answer to an inquiry suggesting U. S. Realty & Improvement 7% convertible preferred stock, and intend to purchase some of this. Is there any other security you can suggest along the same line? Something that is a sound investment, but has prospects of going up.—D. C. L., Providence, R. I.*

A convertible preferred stock that we consider attractive at this time is Illinois Central 6% preferred. This stock is convertible at any time into common stock share for share. It is redeemable after December 31st, 1927, at 115. At present levels of 104½ the stock returns 5.7%. This is a very high-grade stock issue, earnings of the past two years having

averaged about twenty times the dividend requirements on the preferred. Even if the convertible privilege were not valuable, the stock, on a straight investment basis, should sell close to present levels. Since the stock was issued in 1922 it has not sold below 102, the high price being 116. Illinois Central earned \$13.60 a share on its common stock in 1923, and earnings so far this year have shown substantial increases in net. We consider that there is a very good prospect of Illinois Central common selling at higher levels, and an advance in the price of the common would of course carry the preferred stock up with it.

### MISSOURI-KANSAS-TEXAS

#### Earnings Show Increase

*Some of the low-priced speculative railroad bonds have shown substantial profits recently, and I am considering purchasing into this class of security. How do you regard MKT adjustment 5s?—F. N., Brooklyn, N. Y.*

Missouri-Kansas-Texas adjustment 5s, selling around 56 to yield 8.9%, we consider to have attractive speculative possibilities. In 1923, the interest was covered with a wide margin to spare, and for the first two months of the current year, with no increase in gross, net increased nearly a million dollars, indicating greater operating efficiency.

### CONTINENTAL CAN

#### Business Continues Good

*In view of unsettled market would you advise me to sell out some Continental Can stock I am holding?—B. D., Atlantic City, N. J.*

Continental Can we consider a good long-pull holding. Business of the can companies continues at a very satisfactory rate, and everything indicates that Continental Can will have a good year in 1924. We consider the present dividend rate reasonably well secured and believe that there is a good chance of further extra dividends. Our advice is to hold it.

### HOLDS SPECULATIVE OIL

#### A Sounder Stock Suggested

*I am a married man with a large family to support and can not afford to take any great chances with my money. I have now Transcontinental Oil, Middle States Oil, Arkansas Natural Gas, U. S. Steel and Railway Steel Spring. What do you advise me to do?—A. F., Latrobe, Pa.*

In Transcontinental Oil, Middle States Oil, and Arkansas Natural Gas, you purchased three highly speculative securities. In view of the improvement in the oil situation, these stocks at present levels may have speculative possibilities, but we deem it better policy to invest your money in securities of stronger companies. Our suggestion, therefore, is that you dispose

of these three stocks and purchase instead Mutual Oil, selling on the New York Curb at around 11½. This company recently absorbed Continental Oil, an old Standard Oil subsidiary, and now has a well rounded organization. Railway Steel Spring and U. S. Steel are good long-pull holdings.

### HINTS TO MONEY-MAKERS

**D**ECLINE in the price of silk will undoubtedly mean some inventory losses to the silk companies such as Kayser and Malinsson, which were carrying heavy inventories at the close of the year. Both companies, however, are in sound enough financial condition to stand a considerable loss without serious consequences, and we see no reason for throwing over these stocks at present low levels.

\* \* \*

From the action of the Maxwell issues one would judge that the new Chrysler car has not realized expectations. The truth of the matter is that the Chrysler car is an unqualified success, and the company is trying to increase production to 150 cars a day to meet the demand. When general market conditions improve we expect the Maxwell issues to give a good account of themselves.

\* \* \*

The annual report of American Smelting & Refining should go far in convincing stockholders of the strong position of this company. The balance sheet at the close of the year showed over 20 million dollars in cash on hand. With the price of lead high and production in the copper industry running at a satisfactory rate, Smelters should do well this year.

\* \* \*

Discouraged holders of the Northwestern roads can take a new lease on life from the excellent earnings reported by this group for the month of February, net earnings in all cases showing very substantial increases. It appears now that the Northwestern roads have seen the worst of their difficulties.

\* \* \*

Montgomery Ward is a company well worth watching. Sales in 1923 were 50% ahead of 1922, and for the first two months of this year were 35% ahead of 1923. This is much greater progress than has been shown by Sears, Roebuck, and indicates a progressive and efficient management.

\* \* \*

Spicer showed \$2.66 a share earned on the common, not a bad showing for a stock selling around 13. In the past few years, the company has reduced its serial notes from 3 millions to \$600,000.

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# What the Richard D. Wyckoff Analytical Staff Service Can Do for You

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## INTERNATIONAL NICKEL

### Earnings Slowly Improving

*I am holding 200 shares of International Nickel at considerably higher prices. What is the outlook and prospect for dividends?—C. T., Pittsburgh, Pa.*

International Nickel earnings have finally turned the corner and are now running at the rate of about 30 cents a share on the common stock. This company is in a strong financial position, and we look for slow but steadily improving earnings. We believe, therefore, that the stock has good long-pull possibilities. It may be rather slow, however, as early dividend action is not anticipated. In order to obtain a return on your money we consider that it will be a good move to switch 100 shares into a stock like General Motors which gives a good return and also has attractive long-pull possibilities.

stockholders retaining their interest in the company. There was an actual loss of 1.7 million from the operations of the refining end of the business which loss resulted from the violent fluctuations in the price of sugar which operated to the disadvantage of the company. A large part of the company's income from outside investments came from its sugar producing properties in Cuba. As the outlook this year is for equally large earnings from the company's outside investments, if American Sugar can earn something from its refining operations, there is likely to be a considerable balance left for the common stock. There is every reason to believe that the refiners will do better in 1924, and under the circumstances, we feel that Sugar common at present levels has interesting possibilities. The company is in excellent financial condition.

improved, due to increases in the price of fuel oil on the Pacific Coast. In Mexico the ore milled in January and February averaged 102,950 tons per month compared with an average of 94,570 tons per month for 1923. Indications are, therefore, that the company will do somewhat better this year, and at present levels of around 20 we consider the stock to have good long-pull possibilities although immediate resumption of common dividends is not anticipated.

## AMERICAN CAN

### Extra Dividend Omitted

*Would like to have your opinion as to what the recent failure of American Can to pay an extra dividend means. In view of the good financial condition of this company it appeared to me that they were justified in paying an extra dividend and their failure to do so appears to indicate doubt on the part of the management as to the outlook for the company this year.—B. T., Allenhurst, N. J.*

The omission of the extra dividend on American Can stock recently we do not feel need be regarded as having any great significance in regard to the affairs of the company. The Spring of the year is a time when American Can has big outlays to make for steel and other raw material. In the past at this period of the year the company has been a heavy borrower from the banks and at the present time has full use for all of its working capital. This probably influenced directors not to make

(Please turn to page 1064)

## AMERICAN SUGAR REFINING

### Large Earnings from Outside Investments

*It appears to me that American Sugar Refining's report for 1923 is quite encouraging to common shareholders, for although the company made nothing from the refining operations, other income was enough to show nearly \$2 a share earned on the common stock. Would like very much to have your opinion of this report.—H. H., Springfield, Mass.*

It is our opinion that American Sugar Refining's annual report for 1923 is sufficiently encouraging to warrant common

## UNITED STATES SMELTING

### Earned 80 Cents a Share in 1923

*Have held U. S. Smelting, Refining & Mining stock for a number of years and am wondering what the chances are of again receiving a dividend on this stock.—G. F., Boston, Mass.*

United States Smelting in 1923 earned 80 cents a share on the common stock after liberal deduction for depletion and depreciation and other reserves. The company closed the year with net current assets of 13.2 million, the highest in its history. Since the first of the year the coal branch of the company's business has

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# New York Stock Exchange

RAILS:	Pre-War Period		War Period		Post-War Period		1924		Last Sale April 2	Div'd Per Share
	High	Low	High	Low	High	Low	High	Low		
	1900-13		1915-18		1919-1923		1924			
Atchafalpa	125 3/4	90 1/4	111 1/4	75	108 1/4	91 3/4	102 1/4	87 1/4	89 1/4	6
Do. Pfd.	106 3/4	96	102 1/4	75	95 1/4	72	89 1/4	80 1/4	88 1/4	5
Atlantic Coast Line	148 1/4	102 1/4	176	79 1/4	127	77	121 1/4	112	118 1/4	7
Baltimore & Ohio	122 1/4	90 1/4	80	88 1/4	60 1/4	37 1/4	60 1/4	53 1/4	54 1/4	5
Do. Pfd.	96	77 1/4	80	45 1/4	60 1/4	35	58 1/4	53 1/4	54 1/4	4
Canadian Pacific	98 1/4	165	220 1/4	125	170 1/4	101	180 1/4	142 1/4	144 1/4	10
Chesapeake & Ohio	92	51 1/4	71	35 1/4	79	46	77 1/4	67 1/4	75	4
Ches. & Ohio Pfd.	105 1/4	96 1/4	107 1/4	35	52 1/4	11 1/4	18 1/4	13 1/4	15 1/4	4
C. M. & St. Paul	105 1/4	130 1/4	143	62 1/4	76	20 1/4	30 1/4	22 1/4	29 1/4	4
Do. Pfd.	181	123	126 1/4	85	105	45 1/4	84 1/4	40 1/4	51 1/4	4
Chicago & Northwestern	198 1/4	123	126 1/4	85	105	45 1/4	84 1/4	40 1/4	51 1/4	4
Chicago, R. I. & Pacific	105 1/4	45 1/4	16	50	19 1/4	83	75 1/4	79 1/4	79 1/4	7
Do. 7% Pfd.	80 1/4	80 1/4	44	105	64	54	65 1/4	65 1/4	65 1/4	6
Do. 6% Pfd.	80 1/4	80 1/4	44	105	64	54	65 1/4	65 1/4	65 1/4	6
Delaware & Hudson	200	147 1/4	159 1/4	87	141 1/4	83 1/4	112 1/4	104 1/4	108 1/4	9
Delaware, Lack. & W.	340	192 1/4	242	160	260 1/4	93 1/4	124 1/4	110 1/4	115 1/4	6
Erie	61 1/4	33 1/4	89 1/4	18 1/4	22 1/4	7	25 1/4	20 1/4	25 1/4	4
Do. 1st Pfd.	49 1/4	26 1/4	54 1/4	15 1/4	33	11 1/4	34 1/4	28 1/4	33 1/4	4
Do. 2nd Pfd.	89 1/4	19 1/4	45 1/4	13 1/4	27 1/4	7 1/4	36 1/4	25 1/4	28 1/4	4
Great Northern Pfd.	167 1/4	115 1/4	134 1/4	79 1/4	100 1/4	60 1/4	89 1/4	53 1/4	86 1/4	7
Illinois Central	162 1/4	102 1/4	115	55 1/4	117 1/4	80 1/4	105 1/4	100 1/4	102 1/4	7
Kansas City Southern	50 1/4	21 1/4	35 1/4	13 1/4	28 1/4	13	21 1/4	17 1/4	19 1/4	4
Do. Pfd.	75 1/4	66	65 1/4	40	59 1/4	40	53 1/4	51 1/4	52 1/4	4
Lehigh Valley	121 1/4	62 1/4	87 1/4	50 1/4	72	39 1/4	72 1/4	61	69 1/4	3 1/2
Louisville & Nashville	170 1/4	121	141 1/4	103	155	84 1/4	92 1/4	87 1/4	91 1/4	5
Mo., Kansas & Texas	51 1/4	17 1/4	24	3 1/4	19 1/4	3 1/4	13 1/4	10 1/4	10 1/4	4
Do. Pfd.	78 1/4	46	60	6 1/4	45 1/4	2	34 1/4	29 1/4	31 1/4	4
Mo. Pacific	77 1/4	21 1/4	38 1/4	19 1/4	24 1/4	8 1/4	13 1/4	9 1/4	12 1/4	4
Do. Pfd.	173 1/4	90 1/4	104 1/4	62 1/4	87 1/4	22 1/4	90 1/4	89 1/4	90 1/4	7
N. Y. Central	109 1/4	90	90 1/4	57 1/4	101 1/4	22 1/4	70 1/4	72 1/4	73 1/4	6
N. Y., Chicago & St. Louis	109 1/4	90	90 1/4	57 1/4	101 1/4	22 1/4	70 1/4	72 1/4	73 1/4	6
N. Y., N. H. & Hartford	174 1/4	65 1/4	89	21 1/4	40 1/4	9 1/4	21	14 1/4	18 1/4	4
N. Y., Ont. & W.	85 1/4	25 1/4	35	17	30 1/4	14 1/4	19 1/4	16 1/4	17	4
Norfolk & Western	119 1/4	84 1/4	147 1/4	92 1/4	125 1/4	84 1/4	132	102 1/4	126	7 1/2
Northern Pacific	159 1/4	101 1/4	118 1/4	75	99 1/4	49 1/4	55 1/4	47 1/4	52 1/4	5
Pennsylvania	75 1/4	63	61 1/4	40 1/4	49 1/4	32 1/4	46 1/4	42 1/4	43 1/4	3
Pere Marquette	78 1/4	15	38 1/4	9 1/4	47 1/4	12 1/4	45 1/4	40 1/4	42 1/4	4
Pitts. & W. Va.	89 1/4	69	115 1/4	60 1/4	108	60 1/4	70	57 1/4	54 1/4	4
Reading	89 1/4	49 1/4	46	34	61	32 1/4	56 1/4	35 1/4	35 1/4	2
Do. 1st Pfd.	49 1/4	42	52	32 1/4	65 1/4	33 1/4	56	33 1/4	33 1/4	2
Do. 2nd Pfd.	58 1/4	42	52	32 1/4	65 1/4	33 1/4	56	33 1/4	33 1/4	2
St. Louis-San Francisco	74	13	50 1/4	21	38 1/4	10 1/4	24 1/4	19 1/4	22	4
St. Louis Southwestern	40 1/4	18 1/4	32 1/4	11	40	10 1/4	42 1/4	33	37 1/4	4
Southern Pacific	139 1/4	82	110	75 1/4	118 1/4	67 1/4	90 1/4	85 1/4	89	6
Southern Ry.	34	18	36 1/4	12 1/4	38 1/4	24 1/4	55 1/4	38 1/4	54 1/4	5
Do. Pfd.	86 1/4	45	85 1/4	42	72 1/4	42	78 1/4	66 1/4	71 1/4	5
Texas Pacific	40 1/4	10 1/4	29 1/4	6 1/4	70 1/4	16	88 1/4	19	28 1/4	4
Union Pacific	219	137 1/4	164 1/4	101 1/4	154 1/4	110	132 1/4	120 1/4	129 1/4	10
Do. Pfd.	118 1/4	79 1/4	86	69	80	61 1/4	74	70	71 1/4	4
Wabash	27 1/4	2	17 1/4	7	14 1/4	6	17 1/4	10 1/4	16 1/4	4
Do. Pfd. A.	61 1/4	6 1/4	60 1/4	30 1/4	38	17	47 1/4	34	45 1/4	4
Do. Pfd. B.	61 1/4	6 1/4	32 1/4	18	25 1/4	12 1/4	32 1/4	22 1/4	330	4
Western Maryland	56	40	23	9 1/4	17 1/4	8	11 1/4	9 1/4	19 1/4	4
Western Pacific	56	25 1/4	11	40	12	18	14 1/4	14 1/4	16 1/4	4
Do. Pfd.	56	25 1/4	11	40	12	18	14 1/4	14 1/4	16 1/4	4
Wheeling & Lake Erie	112 1/4	2 1/4	27 1/4	8	18 1/4	6	9 1/4	7 1/4	9 1/4	4

## INDUSTRIALS:

Adams Express	270	90	154 1/4	42	84	23	82 1/4	72 1/4	76	6
Allied Chem.	..	..	..	..	91 1/4	34	74 1/4	65	67	4
Do. Pfd.	..	..	..	..	115 1/4	83	114 1/4	110 1/4	1110 1/4	7
Allis-Chalmers	10	7 1/4	49 1/4	6	59 1/4	26 1/4	50 1/4	42 1/4	43 1/4	4
Do. Pfd.	43	40	92	32 1/4	104	67 1/4	96 1/4	90 1/4	91	7
Am. Agr. Chem.	105 1/4	33 1/4	106	47 1/4	113 1/4	10 1/4	17	5 1/4	2 1/4	..
Do. Pfd.	105 1/4	90	103 1/4	89 1/4	103	28 1/4	49 1/4	25 1/4	25 1/4	..
Am. Beet Sugar	77	19 1/4	108 1/4	19	103 1/4	24 1/4	49 1/4	36	43	4
Am. Bosch Mag.	..	..	..	..	143 1/4	22 1/4	38 1/4	22 1/4	24 1/4	..
Am. Can.	47 1/4	6 1/4	68 1/4	19 1/4	107 1/4	21 1/4	15 1/4	102	106	6
Do. Pfd.	129 1/4	98	114 1/4	80	115	72	114 1/4	109	112 1/4	7
Am. Car & Fdy.	76 1/4	38 1/4	98	40	201	84 1/4	178	164	158	12
Do. Pfd.	124 1/4	107 1/4	119 1/4	100	126 1/4	105 1/4	122 1/4	118 1/4	118 1/4	7
Am. Cotton Oil	78 1/4	33 1/4	64	21	67 1/4	9 1/4	12 1/4	10	110	..
Do. Pfd.	107 1/4	91	102 1/4	78	95	26 1/4	37 1/4	32	32	..
Am. Express	800	94 1/4	140 1/4	7 1/4	175	76	103 1/4	91 1/4	91 1/4	6
Am. Hide & Leather	10	3	22 1/4	2 1/4	43 1/4	5	13 1/4	9	10	..
Do. Pfd.	51 1/4	16 1/4	94 1/4	10	142 1/4	29 1/4	65	50 1/4	50 1/4	..
Am. Ice	..	..	..	..	122	37	96	86	189 1/4	7
Am. International	..	..	..	..	12	132 1/4	16	25 1/4	20 1/4	..
Am. Linseed	26	6 1/4	47 1/4	20	95	13	22 1/4	14	16	..
Am. Loco.	74 1/4	19	98 1/4	45 1/4	136 1/4	58	76 1/4	71 1/4	72 1/4	6
Do. Pfd.	122	75	100	93	122 1/4	96 1/4	120	116	116 1/4	7
Am. Safety Razor	..	..	..	..	22	3 1/4	7 1/4	5	6 1/4	50c
Am. Ship & Com.	..	..	..	..	47 1/4	3 1/4	15 1/4	11 1/4	12 1/4	..
Am. Smelt. & Ref.	105 1/4	56 1/4	123 1/4	50 1/4	89 1/4	29 1/4	63 1/4	57 1/4	61	5
Do. Pfd.	116 1/4	98 1/4	118 1/4	97	109 1/4	63 1/4	100 1/4	96	98	7
Am. Steel Fdys.	74 1/4	24 1/4	95	44	50	18	40 1/4	35 1/4	36	3
Do. Pfd.	136 1/4	99 1/4	126 1/4	80 1/4	148 1/4	47 1/4	61 1/4	49 1/4	52 1/4	7
Do. Pfd.	133 1/4	110	123 1/4	106	119	67 1/4	99 1/4	94	95	7
Am. Sumatra Tob.	..	..	..	..	146 1/4	15	129 1/4	28 1/4	10	14 1/4
Do. Pfd.	..	..	..	..	103	75	105	82	80	..
Am. Tel. & Tel.	183 1/4	101	134 1/4	90 1/4	128 1/4	92 1/4	130 1/4	123	126 1/4	9
Am. Tobacco	530	200	256	123	314 1/4	104 1/4	157	136 1/4	144	12
Do. B.	..	..	..	..	210	100 1/4	104	101 1/4	102 1/4	6
Am. Woolen	40 1/4	15	60 1/4	12	109 1/4	55 1/4	78 1/4	67 1/4	70	7
Do. Pfd.	107 1/4	74	102	72 1/4	111 1/4	88 1/4	102 1/4	100	100 1/4	7
Anaconda	84 1/4	27 1/4	105 1/4	24 1/4	77 1/4	30	41	31 1/4	32 1/4	..
Associated Dry Goods	..	..	..	..	28	10	89	100 1/4	79	97
Do. 1st Pfd.	..	..	..	..	78	80 1/4	89	88	88	6
Do. 2nd Pfd.	..	..	..	..	49 1/4	35	83 1/4	85 1/4	85 1/4	7
At. Gulf & W. I.	13	8	147 1/4	4 1/4	192 1/4	9 1/4	19	10 1/4	10 1/4	..
Baldwin Loco.	60 1/4	32	10	74 1/4	9 1/4	76 1/4	6 1/4	19 1/4	16	..
Do. Pfd.	107 1/4	80 1/4	154 1/4	26 1/4	150 1/4	62 1/4	131	115	118 1/4	7
Do. Pfd.	107 1/4	100 1/4	114	90	118	92	111	111	111 1/4	7
Bethlehem Steel B.	81 1/4	47	185 1/4	89 1/4	112	61 1/4	62 1/4	49	51 1/4	5

# Price Range of Active Stocks

## Texas Co.

We have prepared an analysis of this company which discusses in detail its properties, earnings and the technical position of the company's stock in the present market.

We shall be pleased to send a copy of this analysis upon request.

## McDONNELL & Co.

120 BROADWAY  
NEW YORK

Members New York Stock Exchange

SAN FRANCISCO LOS ANGELES

## ATCHISON ERIE WABASH

We have published an outline of their dividend prospects.

Copy may be had  
on request

## Reinhart & Bennet

Members New York Stock Exchange  
52 Broadway New York  
Telephone Broad 0257

	Pre-War Period		War Period		Post-War Period		1924		Last Sale April 2	Div'd Share
	1900-13	1914-18	1914-18	1914-18	1919-1923	1924	1924	1924	1924	1924
INDUSTRIALS	High	Low	High	Low	High	Low	High	Low	1924	1924
Continued:										
Burns Bros. A.	45	41	161 1/2	50	147	76	107 1/2	97 1/2	101	10
Do. B.					88	21 1/2	25 1/2	19 1/2	23 1/2	2
Calif. Packing			50	30	87 1/2	48 1/2	87 1/2	81	83 1/2	6
Calif. Petro.	72 1/2	16	42 1/2	8	71 1/2	15 1/2	29 1/2	23 1/2	24 1/2	1 1/2
Calif. Petro. Pfd.	95 1/2	46	81	29 1/2	110 1/2	63	107	97 1/2	98 1/2	7
Central Leather	81 1/2	16 1/2	123	25 1/2	116 1/2	9 1/2	17 1/2	9 1/2	13 1/2	
Do. Pfd.	111	80	117 1/2	94 1/2	114	28 1/2	44 1/2	29 1/2	42	
Cerro de Pasco			55	25	67 1/2	23	48 1/2	40 1/2	43 1/2	4
Chandler Mot.			100 1/2	56	141 1/2	38 1/2	60 1/2	47	49 1/2	6
Chile Copper			39 1/2	11 1/2	30 1/2	7 1/2	28 1/2	25 1/2	26 1/2	2 1/2
Chino Copper	80 1/2	6	74	31 1/2	83 1/2	18	77 1/2	63 1/2	66 1/2	7
Coca Cola					83 1/2	18	77 1/2	63 1/2	66 1/2	7
Colum. Gas & E.			54 1/2	14 1/2	114 1/2	30 1/2	38	33	33 1/2	2.60
Consol. Cigar					80	13 1/2	22 1/2	11 1/2	114 1/2	
Con. Gas	*165 1/2	*114 1/2	*160 1/2	*112 1/2	*145 1/2	46	67 1/2	60 1/2	62	5
Corn Prod.	26 1/2	7 1/2	50 1/2	7	160 1/2	46	187 1/2	152 1/2	173	10
Do. Pfd.	98 1/2	61	113 1/2	84 1/2	122 1/2	96	120 1/2	117	118 1/2	7
Crucible Steel	19 1/2	6 1/2	109 1/2	12 1/2	278 1/2	49	18	13 1/2	14 1/2	
Cuba Cane Sugar			76 1/2	24 1/2	59 1/2	8 1/2	38 1/2	30 1/2	34	3
Cuban-Amer. Sugar	*58	*33	*27 1/2	*38	*60 1/2	10 1/2	38 1/2	32 1/2	34	3
Endicott-Johnson					150	44	67	58	60 1/2	5
Do. Pfd.					119	84	115	111	111 1/2	7
Famous Players					123	40	72 1/2	61	67 1/2	8
Do. Pfd.					107 1/2	66	91 1/2	87 1/2	120	8
Freeport Tex.			70 1/2	25 1/2	64 1/2	9 1/2	13 1/2	9 1/2	9 1/2	
Gen'l Asphalt	42 1/2	15 1/2	39 1/2	14 1/2	160	23	14 1/2	14 1/2	14 1/2	
Gen'l Electric	188 1/2	129 1/2	187 1/2	118	202 1/2	109 1/2	231 1/2	193 1/2	223	6
Gen'l Motors	*51 1/2	*25	*85 1/2	*74 1/2	92	8 1/2	16 1/2	14 1/2	14 1/2	1.20
Do. 6% Pfd.			90 1/2	72 1/2	95	63	84 1/2	81 1/2	82 1/2	6.00
Do. 6% Deb.					94 1/2	60	82 1/2	81	82 1/2	6
Do. 7% Deb.					105	69	100 1/2	95	198	7
Goodrich	80 1/2	15 1/2	80 1/2	19 1/2	93 1/2	17 1/2	26 1/2	19	20 1/2	
Do. Pfd.	109 1/2	73 1/2	116 1/2	79 1/2	109 1/2	62 1/2	80	70 1/2	71 1/2	7
Gt. Nor. Ore.	88 1/2	25 1/2	60 1/2	32 1/2	52 1/2	24 1/2	31 1/2	28	30 1/2	3
Houston Oil	25 1/2	8 1/2	86	10	116 1/2	40 1/2	82 1/2	66	70 1/2	
Hudson Motors					32 1/2	19 1/2	29 1/2	25 1/2	27 1/2	3
Hupp Motors			11 1/2	2 1/2	29 1/2	16	18 1/2	14 1/2	14 1/2	1
Inspiration	21 1/2	13 1/2	74 1/2	14 1/2	68 1/2	23 1/2	27 1/2	23 1/2	23 1/2	
Inter. Mer. Marine	9	2 1/2	80 1/2	8	67 1/2	4	9 1/2	6 1/2	7 1/2	
Do. Pfd.	27 1/2	12 1/2	125 1/2	8	128 1/2	18 1/2	34 1/2	26 1/2	29 1/2	
Inter. Nickel	*237 1/2	*135	87 1/2	34 1/2	33 1/2	10 1/2	15	12 1/2	12 1/2	
Inter. Paper	19 1/2	6 1/2	75 1/2	9 1/2	91 1/2	27 1/2	42 1/2	34 1/2	37 1/2	
Invincible Oil					47 1/2	5 1/2	16 1/2	12 1/2	15 1/2	
Kelly Springfield			85 1/2	36 1/2	104	30 1/2	35	15 1/2	17	
Do. 8% Pfd.			101 1/2	72	110 1/2	70 1/2	48	43 1/2	43 1/2	8
Kennecott			46 1/2	11	120 1/2	1 1/2	4 1/2	3 1/2	3 1/2	
Keystone Tire					74 1/2	52	68 1/2	60 1/2	61 1/2	4
Lima Locomotive					38 1/2	10	18	15 1/2	16	
Loews, Inc.					28	6	8 1/2	6	6	
Loft, Inc.					32 1/2	14	24	20 1/2	21 1/2	2
Miami Copper	30 1/2	12 1/2	49 1/2	16 1/2	32 1/2	14 1/2	24	20 1/2	21 1/2	2
Nat'l Lead	91	42 1/2	74 1/2	44	148	63 1/2	155 1/2	133	138	8
N. Y. Air Brake	98	45	136	55 1/2	145 1/2	26 1/2	50	47 1/2	48 1/2	4
N. Y. Dock	40 1/2	8	27	9 1/2	70 1/2	15 1/2	25 1/2	19	23 1/2	
North American	*87 1/2	*60	*81	*38 1/2	100 1/2	17 1/2	45 1/2	43 1/2	44 1/2	3
Do. Pfd.					48 1/2	8 1/2	58 1/2	48 1/2	51 1/2	2
Pacific Oil			70 1/2	85	140 1/2	38 1/2	61 1/2	44 1/2	46 1/2	4
Pan. Amer. Pet.					111 1/2	34 1/2	50 1/2	41 1/2	46 1/2	4
Do. B.					80 1/2	10	42 1/2	33 1/2	40 1/2	2
Philadelphia Co.	50 1/2	37	48 1/2	21 1/2	50 1/2	26 1/2	47	43	44 1/2	4
Phillips Pet.					69 1/2	10	42 1/2	33 1/2	40 1/2	2
Pierce Arrow			65	25	99	6 1/2	12 1/2	8 1/2	8 1/2	
Do. Pfd.			109	88	111	13 1/2	30 1/2	21 1/2	21 1/2	
Pittsburgh Coal	*29 1/2	*10	58 1/2	37 1/2	74 1/2	45	62	60 1/2	62 1/2	4
Pressed Steel Car	56	18 1/2	68 1/2	17 1/2	118 1/2	42 1/2	90	83	84 1/2	7
Do. Pfd.	112	88 1/2	100 1/2	60	106	40	60	53	54 1/2	4
Punta Aleg. Sug.			51	29	120	24 1/2	67 1/2	56	63	5
Pure Oil			143 1/2	31 1/2	61 1/2	16 1/2	36 1/2	22 1/2	23 1/2	1 1/2
Ry. Steel Spg.	84 1/2	22 1/2	78 1/2	19	126 1/2	67	115 1/2	106	110 1/2	8
Do. Pfd.	118 1/2	90 1/2	105 1/2	75	121 1/2	92 1/2	118	110	110 1/2	7
Ray Cons. Cop.	27 1/2	7 1/2	37	15	27 1/2	9 1/2	15 1/2	9	9 1/2	
Replogle Steel					52 1/2	8	15 1/2	9	9 1/2	
Republic I. & S.	49 1/2	16 1/2	96	18	145	40 1/2	6 1/2	44 1/2	47	
Do. Pfd.	111 1/2	64 1/2	112 1/2	72	106 1/2	74	20 1/2	45	54 1/2	3.40
Royal Dutch N. Y.			86	66	123 1/2	40 1/2	41 1/2	33	138 1/2	2.00
Shell T. & T.					94 1/2	10	27 1/2	10 1/2	22	2
Sinclair Con. Oil			67 1/2	25 1/2	94 1/2	30 1/2	48 1/2	36 1/2	37 1/2	1
Stand. Oil N. J.	*148	*322	*800	*358	*212	100 1/2	118 1/2	115 1/2	117 1/2	7
Do. Pfd.					118 1/2	22 1/2	94 1/2	64 1/2	68 1/2	8
Stromberg Carb.			45 1/2	21	118 1/2	37 1/2	108 1/2	91 1/2	92 1/2	10
Studebaker	49 1/2	15 1/2	105	20	151	76	115	110	110 1/2	7
Do. Pfd.	98 1/2	64 1/2	110 1/2	70	118 1/2	6 1/2	115	110	110 1/2	10
Tenn. Cop. & Chem.			21	11	17 1/2	5 1/2	45 1/2	41	41 1/2	3
Texas Co.	144	74 1/2	243	112	87 1/2	20	15 1/2	9	10 1/2	
Tex. Pac. C. & O.					115	45	70 1/2	64 1/2	67 1/2	10
Tobacco Prod.	145	100	82 1/2	25	62 1/2	1 1/2	6 1/2	4	5	
Transacont. Oil					174	95 1/2	201 1/2	182	1189	10
United Fruit	208 1/2	126 1/2	173	105	224 1/2	35 1/2	83 1/2	65 1/2	70 1/2	
U. S. Ind. Alco.	57 1/2	24	171 1/2	15	167	35 1/2	42 1/2	29	32	
U. S. Rubber	59 1/2	27	80 1/2	44	143 1/2	39 1/2	76 1/2	62	62	8
Do. Pfd.	123 1/2	98	118 1/2	91	110 1/2	74	23 1/2	18 1/2	21	
U. S. Smelt. & R.	59	30 1/2	81 1/2	20	78 1/2	18 1/2	109	97	90 1/2	25
U. S. Steel	94 1/2	41 1/2	136 1/2	38	118 1/2	70 1/2	120 1/2	118 1/2	119	7
Do. Pfd.	131	102 1/2	102	123 1/2	97 1/2	41 1/2	69	64	66 1/2	4
Utah Copper	87 1/2	88	130	48 1/2	97 1/2	33 1/2	33 1/2	24 1/2	26	
Vanadium					97	24 1/2	10 1/2	1 1/2	2	
Va.-Caro. Ch.	70 1/2	82	60 1/2	15	92 1/2	17	103 1/2	4 1/2	6 1/2	
Do. Pfd.	129 1/2	62	115 1/2	80	115 1/2	76	113	100	107 1/2	7
Western Union	36 1/2	86	105 1/2	53 1/2	121 1/2	38 1/2	65	58 1/2	59 1/2	4
Westinghouse Mfg.	45	24 1/2	74 1/2	32	67 1/2	38 1/2	14 1/2	10	10 1/2	
White Motors			80	20	88	29 1/2	15 1/2	11 1/2	15	
Willis Overland	*75	*50	*228	15	40 1/2	4 1/2	28	11 1/2	15	
Wilson Co.			84 1/2	42	104 1/2	19	28	11 1/2	15	
Woolworth	177 1/2	76 1/2	151	81 1/2	280	100	845	280	390 1/2	8

\* Old stock.

† Partly extra.

‡ Ex-dividend.

§ Bid price given where no sales made.

¶ Not including extras.

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## ANSWERS TO INQUIRIES

(Continued from page 1061)

any extra disbursement at this time. We consider the outlook for the company to be reasonably favorable. There may be a smaller fruit crop in California, due to the dry weather that territory has been experiencing, but American Can interests are widely diversified, and we do not feel that this will seriously reduce earnings. American Can, as you state, is in very sound financial condition and it is quite likely that extra dividends will be paid before the end of the year. Under present market conditions the stock may, of course, work lower, but we consider it a good long-pull holding.

### GENERAL MOTORS

#### Current Production

I am holding General Motors stock and have been doubtful as to the advisability of continuing to do so in view of the reported falling off of business in the motor industry.

What is your opinion of the stock and how has production been holding up recently.—  
G. F., Youngstown, O.

General Motors stock at present levels of around 14 we consider a good long-pull holding. In 1923, the company earned about \$3 a share on its stock allowing for the company's share of the undistributed earnings of Fisher Body Corporation. It is in very sound financial condition with nearly 50 million cash on hand and a working capital of 140 million. It is true there has been some falling off recently in production of automobiles but this is explained in part by the fact that production for the first quarter of this year was considerably higher than in 1923 as many companies adopted the policy of having sufficient cars on hand to promptly supply the Spring demand. General Motors for the first quarter of 1923 sold approximately 210,000 cars as compared with 176,258 in the first quarter of 1922 and 71,039 in the first quarter of 1922. In view of this greatly increased production in the first quarter it would be quite natural for General Motors to ease up on this schedule somewhat.

## GREENE CANANEA COPPER CO.

(Continued from page 1057)

situated in the Cananea mountains from which rise the head waters of the San Pedro and Sonora rivers in northern Sonora, Mexico. From time to time the operations of the company have been disturbed or completely stopped by revolutionary activities in the southern republic, so that Greene has had much more to contend with than falls to the lot of the average mining concern. Given a good copper market and uninterrupted operations, and Greene Cananea could give a good account of itself, but of late years those two factors have not synchronized.

Greene has no funded debt, but labors under a topheavy capitalization consisting of an authorized issue of \$60,000,000 stock of which \$50,000,000 is outstanding, par \$100. Anaconda owns a substantial block of Greene's 5,000,000 shares which Anaconda acquired from the former Amalgamated Copper Co. in 1915. Apparently Anaconda's returns from the stock it owns have not been satisfactory enough to warrant increasing those holdings.

The deficits of the last few years have made inroads into Greene's balance sheet. The profit and loss surplus which at the end of 1917 totaled approximately \$9,500,000, had shrunk to about \$4,000,000 at the end of 1922. Working capital at the end of 1917 stood at \$7,513,000 and at \$2,305,000 at the close of 1922. In view of the declining price for copper last year, Greene's 1923 report is not expected to show any striking improvement over 1922.

Selling at 14, the stock of Greene Cananea is only slightly above its record low of 13½ established last year. This is but a natural reflection of Greene's status and prospects. There is little speculative activity in the issue.

A two or three cent recovery in the copper market would doubtless mean higher prices for the stock, but inasmuch as the company's future is obscure, the issue, under existing conditions, must be regarded as a none too promising speculation.

### GREENE CANANEA

#### Greene Cananea's Earnings

	Total Income in Millions	Net Income in Millions	Earned per Share	Paid per Share	Year's Surplus in Millions
† 1917	\$2.8	\$2.4	\$4.99	\$8.00	d \$1.4
1918	3.9	3.4	6.87	8.00	d 0.5
1919	1.4	1.1	2.21	1.50	0.3
1920	0.9	0.5	1.12	1.00	0.0
1921	d 1.9	d 2.4	....	....	d 0.5
1922	d 0.5	d 1.4	....	....	d 1.4
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

#### Price Range of Stock Boston Stock Exch.

	H.	L.
1914	42½	27
1915	52½	23½
1916	56½	34
1917	47	34
1918	57½	39
1919	47½	32½

#### N. Y. Stock Exch.

	H.	L.
1920	38½	15
1921	29½	18½
1922	34½	22
1923	34½	13½

Recent price 14

† Properties operated only from Jan. 1 to June 22 and from Dec. 10 to Dec. 31.  
d Deficit.

## HOW BALDWIN AND AMERICAN LOCO- MOTIVE COMPARE

(Continued from page 1045)

Company, compared with but 132 for Baldwin. This is approximately a 60% larger amount, and although the figures are merely good estimates, they will give the reader some idea of the comparative progress being made.

### Outlook for Industry

The outlook for the locomotive equipment companies as a group, is not particularly favorable, and this year earnings are practically certain to be much below those for 1922. For this reason, a purchase of either of the two securities cannot be advised, but merely from the standpoint of comparison, it would appear that American Locomotive common is fundamentally the better holding at current prices. It is now selling around 72 to yield 8.2% on the \$6 annual dividend now being paid. There is no reason to believe that conditions within the near future will become so unfavorable as to necessitate the passing of dividends. They may be considered reasonably safe for some time to come, especially in view of the strong financial position of the company.

Baldwin common is quoted around 118 to yield slightly less than 6% and the probabilities of an early increase in the \$7 dividend rate are by no means encouraging. A reserve has been set up to cover this year's dividends at the current rate. The stock may be split up as was done with American Locomotive common in 1923, but this would be of little benefit to stockholders, as the dividend rate would very probably be cut in half. The company's earnings promise to be smaller than those of its competitor for the current year, and the amount per share will very likely be somewhere near equal. Under these circumstances, there is apparently no reason why the stock should be preferred to American Locomotive common.

## WHY I WOULD NOT BUY ANY OF THESE NINE STOCKS

(Continued from page 1043)

the tire industry; there are too many companies in the field which results in price cutting and a small margin of profit. Some day, this state of affairs may be relieved by consolidations or trade agreements, but as nothing tangible has developed along these lines, purchase of the stock is hardly warranted on this basis.

At the close of 1923 Goodrich had bank loans of \$8.6 millions, and, while bank loans remain as high as this, dividends on the common stock are improbable. Since the first of the year, there has been a sharp decline in the price of crude rubber, and it is quite likely that Goodrich will have some write-offs to make for losses in inventory which stood at 24 millions December 31st, 1923. With a working capi-

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tal of 34 millions, Goodrich is in a reasonably sound financial condition, but the stock had best be avoided in view of the unfavorable conditions surrounding the tire industry.

**REPLOGLE** Since incorporation in 1919, Replogle Steel operating results have been a succession of deficits, with the exception of 1920 when a profit of \$3,000 was shown. The company owns iron mines and blast furnaces at Wharton, N. J., and also owns the Empire Steel & Iron Company which has blast furnaces and mines at Oxford, N. J. This company has not shown the ability to produce pig iron at low enough cost to make money under present conditions. Apparently it is an organization that will only be able to do well in boom times. The stock is an uncertain speculation even at present low levels.

**SINCLAIR** Sinclair Consolidated has valuable properties and is a large producer, refiner and distributor of oil products. Capitalization in the past few years has been greatly increased, and it is decidedly questionable whether the growth of the company has kept pace with the enlargement of its capital structure.

At present, the funded debt of the company is 79 million dollars, which compares with 6 millions in 1919. Moreover, the company now has 20 million dollars of 8% preferred stock outstanding, as against none in 1919. Outstanding common stock has been steadily increased in the past several years and there is now 4.5 million shares outstanding.

Sinclair's report for 1923 at the time of writing this article had not been issued; but after deducting for depreciation and depletion a deficit after dividend payments is expected. The outlook for the company is favorable at this time, but in view of the heavy capitalization we do not believe that earnings will be as high on the market price of the stock as in the case of many other oil companies. In the opinion of the writer, it is one of the least attractive stocks in the oil group.

**STROMBERG** Market fluctuations in **CARBURETOR** Stromberg Carburetor stock in the past are a good indication of the lack of stability of this company's business. In 1922, the high was 118¼ and the low 22¼. In 1919, the high was 109½ and the low 36¾. In 1921, 1922 and 1923, price fluctuations were not quite as violent, but the stock moved over a range of thirty to forty points.

The company's earnings vary greatly with conditions in the automobile industry, and large earnings in any one year are little indication of what the company will be able to do in the following year. Competition in automobile accessory lines is steadily increasing, with a resultant lowering of the margin of profit. The earning power of Stromberg is too variable a factor to warrant an investment in the stock.

## Current Bond Offerings

FOR the first time since early February, there was a really substantial volume of new bond offerings. The issues were fairly well divided among State and Municipals, Industrials and Utilities.

Among the more important issues were the \$35,000,000 Western Electric debenture 5s offered at a price of 96½ to yield 5.25%. It is understood that these bonds were over-subscribed five times. Another important issue was the Columbia Gas & Electric \$11,500,000 one-year notes offered at par to yield 5% flat. The unusually low yield indicates the substantial credit

### NEW BOND OFFERINGS

#### STATE AND MUNICIPAL

	Amount	Yield Off'd (%)
Kansas .....	\$2,475,000	4.35
Alabama .....	5,000,000	4.60
Providence, R. I. ....	1,000,000	4.25
Minneapolis, Minn. ....	1,120,000	4.40
San Francisco .....	\$2,281,000	5.40
Portland, Ore. ....	5,000,000	4.43
Portland, Ore. ....	1,000,000	4.50

#### RAILROAD

Cuba Northern Rys. ....	\$1,680,000	6-7
Cleveland Union Terminals Co. ....	10,000,000	5.15

#### PUBLIC UTILITY

Duquesne Light Co. ....	\$10,000,000	5.57
Columbia Gas & El. ....	11,500,000	5.00
Houston Lighting & Power Co. ....	2,000,000	5.75
Harriburg Light & Power Co. ....	1,000,000	5.35

#### INDUSTRIAL

Continental Motors Corp. ....	\$7,500,000	7.00
Botany Consolidated Mills, Inc. ....	8,000,000	7.00
Western Electric Co. ....	\$35,000,000	5.25

of the Columbia Gas Company and that good short-term issues have a ready market. The Continental Motor engaged in its contemplated financing by issuing \$7,000,000 6½% mortgage bonds at a yield of 7%.

Rates on the majority of new issues, in their respective classes, show no deviation from those offered in recent months. This feature of the market seems to have fairly well stabilized itself at around the following basis for the various large groups: State and Municipal, 4.50%; Utilities, 5-6%; Industrials, 5.50-7%; Railroads, 5-6%. There are numerous exceptions, of course, but the rates stated are about average for the different fields.

### HOW TO INVEST \$50 A MONTH

(Continued from page 1052)

Potentialities like that are, to most people, inspiring.

Blank & Co.'s studies of the "investing power of varied incomes" take the form of budgets. (One of their budgets, incidentally, has been used for comparison on the Budget Page of this issue.) A Budget they have worked up to cover incomes of \$5,000 a year puts the investing power of such incomes at \$50 a month. This budget

is reproduced in the accompanying table.

About the only criticism that has been heard of the Blank & Co. plan is the fact that it confines you to bonds of the firm's own choosing. Those who make this criticism seem to feel that one's choice is, resultantly, too greatly narrowed.

An inspection of the firm's current offerings overcomes this objection. A very varied list, including Government, Municipal, Railroad, Industrial, Public Utility and Joint Stock Land Bank bonds is shown, and he who would pick and choose has representative issues covering the whole range of investments to select from.

I don't know how many would-be investors will be prompted by a reading of these lines to get into touch with Blank & Co. and satisfy themselves that what is said here is true. If results from previous articles are any criterion, their name will be legion, and Blank & Co., who don't know the writer from Acam, will be wondering what started the crowd.

I am quite sure of this, however: Blank & Co. is just one more of the many investing-banking organizations which have been in business for many years, are in business today and will be in business tomorrow, which investors who have been poisoned by the bucket-shop weed should take as an antidote. They are one of the many firms whose very existence disproves the contention that "Wall Street is only for the rich." They are one of the many who are equipped to help small investors up the grade and whose business it is to do that helping.

#### SCHOOL FOR TRADERS AND INVESTORS

(Continued from page 1037)

viewed, it is apparent that there is good reason for saying that a bear market lasts about half as long as a bull market, and that the time ratio of 2 to 1 has occurred with considerable regularity over a period of many years. Therefore, this time ratio serves as a rough measuring stick for the long-pull operator. However, it is not particularly useful to the short-swing margin trader, except that it may help him in estimating the general trend, and thus serve to influence his general policy of buying in weak spots in a bull market, and selling during periods of strength in a bear market.

Having mentioned one of the most interesting general relationships of time to price swings, we will now refer to one of the most important general phenomena referred to as crucial days, or to be sufficiently general, crucial periods. We have in mind the manifestations that take place near the top of an important advance, and near the bottom of a decline.

In the case of a major cycle, the crucial period may last several weeks before the market finally breaks or begins to turn, whereas in the case of the minor swing, the process may last only a few days, and sometimes takes place in an hour.

At the top of an advance the situation becomes critical when individual stocks or market averages, more particularly the latter, fail to make further progress after

APRIL 12, 1924



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repeated efforts and on unusually large volume of sales. At such a time, the price averages move up and down in a limited range, first failing to make new highs day after day, and finally failing to reach the high of the day before, at the same time beginning to make new lows day after day. This phenomenon usually indicates distribution on the part of those who are looking ahead, and who observe that the market is technically heavy, or in other words, that supply is overcoming demand in a broad way. This is a typical crucial period. Near the end of such a period, if there is one special day during which the share turnover is unusually great, and there is no advance but perhaps loss of ground, that may be the crucial day our student has in mind.

Turning to the corresponding process that takes place at the bottom of the market after a protracted decline, we may observe that over a period of several weeks, or in some cases only a few days, there are repeated rallies and reactions within a limited price range, and that successive plunges fail to reach new low levels. This indicates that prices are finally low enough to attract sufficient buyers to make demand exceed supply.

As this phase of the market action becomes noticeable to professional operators, they will begin to absorb offerings on each dip, and many will likewise take advantage of each dip to cover their short commitments. Finally the short position will become so uncomfortable that competitive bidding will cause prices to rise up out of the trading range in which they have been fluctuating, and this may be the crucial day that marks the beginning of a new bull market. If we apply similar reasoning to the minor swings, the phenomenon to which we refer may indicate either the end of a reaction in a bull market, or the beginning of a rally in a bear market.

The element of time enters into trading operations in numerous ways that merit discussion, but lack of space requires that further consideration of the subject be postponed.

## STANDARD OIL OF INDIANA

(Continued from page 1041)

Looking over the list of properties which the company owns, it is apparent that Standard of Indiana has not missed many good bets. Outside of its own plants, whose productive capacity of fuel oil, gasoline, lubricating oils, wax, candles, paraffine, etc., is nothing short of stupendous, the company has substantial interests in other large and successful oil concerns. It owns 99½% of the stock of the Midwest Refining Co. which owns and operates four large refineries, and 50% of the stocks of the Sinclair Pipe Line Co., and the Sinclair Crude Oil Purchasing Co. It owns 6,000 shares of the Dixie Oil Co., and has a contract with the Texas Co. whereby each concern has the right to operate under the other's cracking processes.

Standard of Indiana controls the famous Burton cracking process which it uses and licenses to others. From its

own refineries the company produces upwards of 3,000,000 gals. of gasoline a day. Had the Burton process not been developed we probably should be paying much higher prices for gasoline. While there are as many cracking processes as there are leaves on a fig tree, the Burton has been by far the most successful to date.

The company whose stock I have selected as my favorite oil investment is a complete unit as it produces, refines, transports and markets petroleum and its by-products. It is, therefore, in position to get every nickel of profit out of every barrel of oil it handles. The big refineries which it owns and operates, irrespective of those of its allied companies, are situated at Whiting, Ind., Sugar Creek, Mo., Wood River, Ill., and Casper, Florence and Graybull, Wyoming. From the strategical central location of its properties the company is able to tap the country's best gasoline markets. Standard of Indiana produces and sells approximately one quarter of the entire gasoline produced in the United States.

The company has recently reported for 1923, showing \$4.68 earned on the outstanding stock or nearly twice the dividend requirements. As 1923 was a year of panic in the industry it seems that, on the better prices now prevailing, the company should be able to do much better this year. It requires foresight and cash to take advantage of low crude prices such as prevailed in the latter half of last year, and Standard of Indiana has plenty of both.

The stock, in my estimate, is the outstanding opportunity among comparatively conservative oil stocks.—B. P.

## WHAT WOULD HAPPEN TO BUSINESS IF A LA FOLLETTE CANDIDATE BECAME PRESIDENT

(Continued from page 1019)

sailles in accordance with the fourteen points, omitting such trifling matters of international etiquette as the fact that we are not signatories to the treaty.

Finally, Wall Street the species, is to be further walloped by the only constructive plank in the La Follette platform, which we inadvertently failed to schedule above, for a deep waterway canal is to be built from the Great Lakes to the Sea, "thus making the primary markets on the Great Lakes equal to those of New York." Which will be no great job after the rest of the platform shall have dealt with New York.

It may be a fanatical obsession—this invincible belief of La Follette's that the American people have lost their liberties and that they must be restored at any cost. But fanaticism has shaped the world in its greater epochs.

In the form of religious fervor it has more than once overthrown and rebuilt human institutions. In the form of political regeneration it has overthrown dynasties and destroyed nations. The Bolsheviks are fanatics—and Russia is theirs. The labor movement in England is moved by fanatical fervor for a better world for the masses—and it rules England. There is undeniably a great stirring

of popular thought and a widespread weakening of political ties in America—and?

### "He Does Not Weaken with Responsibility"

The La Follette platform and the predicted application of its tenets should La Follette come into power are not bogies. They might be under the leadership of any other politician than La Follette. But he does not mellow with age or weaken with responsibility.

No one has ever dared to accuse him of susceptibility to the baser and grosser forms of corruption, and those who know him know that the more subtle corruptions of the society of the great and powerful and of chilling disillusionment with the people do not affect him.

Democracy is a passion—a religion with La Follette. He believes in it as the early republicans of America and the French revolution believed in it. His confidence in the people is supreme and unshakable. He profoundly believes that the American people, once free—when politics was the common life—have become enslaved by the substitution of industrial relations as the main factor in the common life.

Their enslavers are big business—combinations of corporations and combinations of combinations. He is determined to destroy them. He has kept everlastingly at this goal for every day of his long public life. He may be counted upon, if he comes into power, to use every ounce of his tremendous energy and every shred of his unbending will to effect the disintegration of the present industrial, commercial and financial structure of American life.

### MAKE EVERY MONTH AN INCOME MONTH

(Continued from page 1029)

Then, in addition to the current income that would be received, the investor would get the extra amount coming due at the various maturity dates of the bond issues. One of the bonds in the accompanying list, the Great Northern Ry. 7s, is a premium bond, and, at maturity in 1936, the holder would receive \$80 less than the present purchase price, but would be more than compensated by the high current yield. Also, during the period, 1939 to 1961, approximately \$950 would be received from the various discount bonds in the list that mature within that time, thus leaving net income of \$870 in addition to 6.29% or \$650 annually.

Each security recommended in this list is of the better grade, and, taken as a group, offer a very fair degree of diversification. There are two railroad bonds, two combined real estate and industrial, two public utility bonds, and a purely industrial bond, all of which have been chosen for their investment merits as well as varied interest dates. The preferred stock issues recommended are equally well chosen, and serve to increase the average

(Please turn to page 1071)

APRIL 12, 1924

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## UNLISTED UTILITY BOND INDEX

(IN ORDER OF PREFERENCE)

### POWER COMPANIES

	Invest- ment Grade	Bid Price	Asked Price	*Yield
Appalachian Power Co. 7s, 1938 (Non-Callable).....	B..	102	103½	6.70
Penn.-Ohio Power & Light 8½ Notes, 1930.....	B..	101½	103	7.40
Tennessee Power Co. 1st 5s, 1962.....	B..	86	88	8.70
Appalachian Power Co. 1st 5s, 1941.....	B..	90½	91½	5.80
Alabama Power Co. 1st 5s, 1946.....	B..	93	94	5.50
Colorado Power Co. 1st 5s, 1933.....	B..	87	89	5.80
Nebraska Power Corp. 1st 5s, 1940.....	B..	92	94	5.50
Hydraulic Power 1st & Imp. 5s, 1951.....	A..	98	98¾	5.10
Indiana Power Co. 7½s, 1941.....	B..	101	103	7.10
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941.....	B..	103	105	6.30
Idaho Power Co. 5s, 1947.....	B..	90½	91½	6.75
Laurentide Power Co. 1st 5s, 1945.....	A..	94	95	5.40
Southern Sierra Power Co. 1st 5s, 1936.....	A..	100	102	5.50
Great Northern Power Co. 1st 5s, 1935.....	B..	92	94	5.70
Electrical Development of Ontario 5s, 1933.....	A..	94½	96	5.58
Adirondack Electric Power 1st 5s, 1962.....	A..	95½	96½	5.15
Carolina Power & Light 1st 5s, 1938.....	B..	95½	96½	5.33
Madison River Power Co. 1st 5s, 1935.....	A..	97	98½	5.10
Puget Sound Power Co. 1st 5s, 1933.....	A..	95	97	5.35
Shawinigan Water & Power 1st 5s, 1934.....	A..	99½	100½	4.95
Niagara Falls Power 1st & Cons. Mtge. 6s, 1930.....	A..	104½	105½	5.60
Consumers Power Co. (Mich.) 1st 5s, 1936.....	A..	97	98	5.20
Salmon River Power 1st 5s, 1932.....	B..	96½	98	5.05
Great Western Power Co. 5s, 1946.....	B..	92½	93½	5.50
Mississippi River Power 1st 5s, 1951.....	B..	92½	93½	5.45

### GAS AND ELECTRIC COMPANIES

United Light & Railway 5s, 1933.....	B..	88½	89½	6.80
Bronx Gas & Electric 1st 5s, 1960.....	B..	88	90	5.60
Dallas Power & Light 6s, 1949.....	B..	90	100½	5.95
Portland Gas & Coke 1st 5s, 1940.....	B..	91½	93	5.70
Tri-City Railway & Light 5s, 1930.....	B..	92	93	6.25
Denver Gas & Electric 1st 5s, 1949.....	A..	94	95	5.45
Indianapolis Gas Co. 1st 5s, 1952.....	B..	86	88	5.80
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939.....	B..	93½	95	5.50
Twin State Gas & Electric Ref. 5s, 1953.....	B..	78	81	6.30
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941.....	B..	101	103	7.15
Evansville Gas & Electric 1st 5s, 1932.....	B..	92	94	6.00
Cleveland Elec. Ill. Co. 5s, 1939.....	A..	99½	100½	5.00
Cons. Cities Light, Power & Traction 1st 5s, 1962.....	C..	68	69½	7.40
Burlington Gas & Light 1st 5s, 1955.....	B..	80	83	6.25
Houston Light & Power 1st 5s, 1931.....	B..	95½	97	5.45
Nevada-California Electric 1st 5s, 1946.....	B..	93½	94½	6.30
Oklahoma Gas & Electric 1st Mtge. 5s, 1929.....	B..	95	97	5.70
Rochester Gas & Electric 7s, Series B, 1946.....	B..	108	109½	6.20
Syracuse Gas Co. 1st 5s, 1946.....	A..	94½	96	5.30
Buffalo General Electric 1st 5s, 1939.....	A..	98	98½	5.10

### TRACTION COMPANIES

Northern Ohio Traction & Light 6s, 1926.....	B..	94½	96½	7.70
Galveston-Houston Electric Railway 1st 5s, 1934.....	B..	80	84	6.20
Knoxville Railway & Light 5s, 1946.....	C..	82½	84	6.35
Columbus Street Railway 1st 5s, 1932.....	B..	80	90	6.65
Kentucky Traction & Terminal 5s, 1951.....	C..	72½	73½	7.25
Detroit United Railway 1st Coll. 5s, 1941.....	B..	106	107	7.30
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928.....	B..	91½	93	6.70
Nashville Railway & Light 5s, 1953.....	B..	88½	90	5.70
Memphis Street Railway 5s, 1945.....	C..	71½	73½	7.30
Schenectady Railway Co. 1st 5s, 1946.....	C..	83	88	9.60
Topeka Railway & Light Ref. 5s, 1953.....	B..	86	88	5.75

### HOLDING COMPANIES

American Power & Light 6s, Series A, 2016.....	B..	94	94½	6.30
Penn.-Ohio Edison 6½s (notes), 1927.....	C..	97½	98½	7.20
General Gas & Electric s. f. 7s, 1952.....	B..	94	100	7.00
American Gas & Electric 6s, 2014.....	B..	94	95½	6.25
General Gas & Electric 1st 5s, 1925.....	B..	97½	99	5.90
Middle West Utilities 5s, 1940.....	A..	106½	107	7.35
American Lt. & Trac. 6s, 1925 (Without Warrants).....	A..	100½	101½	5.10

### TELEPHONE AND TELEGRAPH COMPANIES

Home Tel. & Tel. Co. of Spokane 1st 5s, 1936.....	A..	94½	95½	5.80
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943.....	A..	94	96	5.35
Ohio State Telephone Co. Ref. 5s, 1944.....	A..	94½	95½	5.25
Western Tel. & Tel. Collateral Trust 5s, 1932.....	A..	96½	97½	5.40

\* Yield computed at the asked price.

yield obtainable without seriously weakening the investment merits of the list.

While this investment program is really planned for the investor having an available fund of something like ten thousand dollars, it can be followed to advantage by the individual who has more, simply by increasing the amounts to be purchased of each issue, which will of course, in turn, increase the annual return. Should one's investment fund be larger than, say, thirty thousand dollars, it would be well to seek greater diversification, and a few of the better grade common stocks might be included. They have been omitted here, because of the fact that dividend payments on common stock issues are rather irregular on the whole, and also because the list has been prepared for investors of average means, who are partly dependent upon their investment return.

# WOULD CONSOLIDATIONS LIFT THE WEAK ROADS UP OR DRAG THE STRONG ROADS DOWN?

(Continued from page 1031)

affect the essential investment aspect of the situation materially, except in the case of those which have centralized their holdings in some one road or some small group of railways.

In cases of this latter kind, the present indication does not point to consolidation as necessarily altering their position, but suggests that probably before consolidation becomes effective, effort will have been made with more or less success to divert revenues from the strong roads to the weaker ones, under the powers granted by the Supreme Court of the United States. This leads to the important conclusion, from the investor's standpoint, that the results which were expected from consolidation by many are likely to be attained at least in part through another channel, so that consolidation, when it occurs, will probably be relatively unimportant.

## "Strong" versus "Weak" Roads

However the result may be obtained, the question is naturally and properly raised whether investors who now hold large blocks of the stock of strong roads (so called), would do well to clear them out and purchase weak roads or to diversify their holdings. For reasons already explained, it would seem to be true that sound argument is against the belief that strong railroads which are now making good incomes will increase much in value; while, on the other hand, the belief that weak roads, or groups of roads which have not been able to make their expenses or dividends, are likely to be helped from now on by readjustments of rates under the general principles laid down in the Transportation Act, has a good deal to substantiate it.

The working of this idea of a growth in the value of the stock of weak roads and decline in the value of the strong roads' shares, however, requires a considerable amount of modification before it is put into practice. Evidently, it does

(Please turn to page 1073)

APRIL 12, 1924

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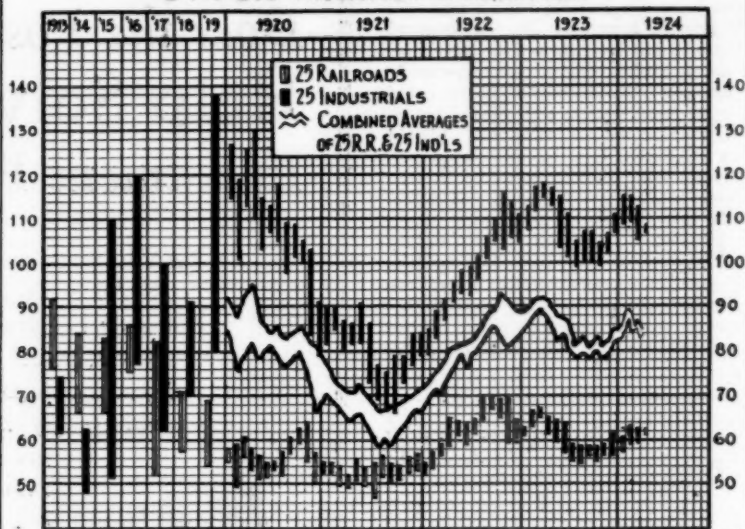
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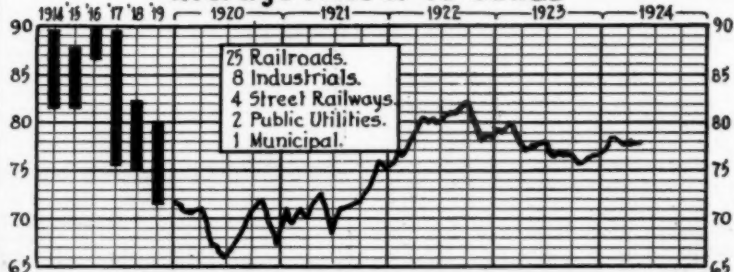
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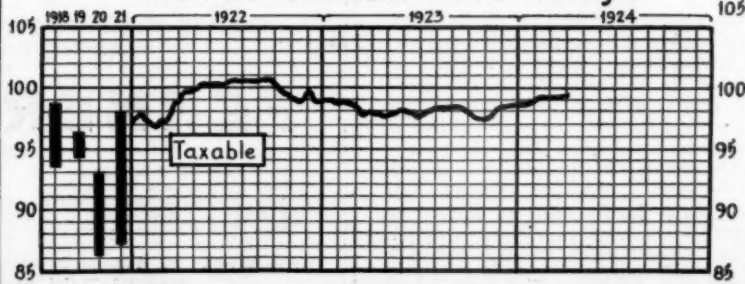
## MARKET STATISTICS

	N.Y. Times Dow, Jones Aves.			N.Y. Times		Sales
	40 Bonds	20 Indus.	20 Rails	50 Stocks	High	
Thursday, March 20.....	78.11	95.88	81.45	86.78	85.39	1,009,686
Friday, March 21.....	78.34	95.87	81.46	86.29	85.33	789,783
Saturday, March 22.....	78.50	95.72	81.99	86.22	85.56	482,360
Monday, March 24.....	78.51	95.58	82.01	86.40	85.56	769,610
Tuesday, March 25.....	78.39	94.12	81.38	85.77	84.42	984,644
Wednesday, March 26....	78.41	93.67	81.40	85.26	84.25	761,130
Thursday, March 27.....	78.35	92.90	81.29	85.13	83.65	724,205
Friday, March 28.....	78.27	92.54	81.05	84.65	82.95	932,750
Saturday, March 29.....	78.28	92.28	80.95	83.84	83.23	354,640
Monday, March 31.....	78.24	93.01	81.26	84.43	83.24	665,983
Tuesday, April 1.....	78.13	93.50	81.48	84.69	83.96	498,912
Wednesday, April 2.....	78.33	94.50	82.04	85.39	84.52	702,257

## Average Price of 40 Bonds



## U. S. Government Bond Averages



not apply, as between the strong roads of one transportation area and the weak ones of another.

The present discussion will show that what is to be expected is the transference of value from the strong or main-line roads of a given area to the weak or dependent roads of that same area or of areas that are dependent upon or in juxtaposition with it.

The wise investor, therefore, who was the holder of a stock of a strong road or roads in such a section, would surrender some portion at least of this stock and would purchase in lieu thereof the stock of the lines that were likely to be allowed to fatten upon the roads of the first or stronger variety. The interest of the investor in attempting to forecast the development of things is thus found in ascertaining what transportation areas or main-line systems are likely to result from the whole situation, and then in diversifying his investment, as between the strong and weaker roads of the various sections. If he be a speculator his policy will be that of concentrating his purchasing upon the weaker stocks in any given districts, selecting those roads which, he feels sure, are likely to profit most by the present effort to bring about a thinner and more general distribution of income.

#### Position of Investor

Generally speaking, the position of the railroad investor is not a happy one, nor is it likely to become materially better during the early future. The effect to be expected from what is called consolidation (or, as we have learned to term it in these articles, preliminary redistribution of revenue followed by consolidation) depends entirely on: (1) the general rate level that is permitted to be maintained in the country as a whole; and (2) the main lines of division into transportation areas or trunk-line systems that are accepted.

At the best, it will be a good while before the agitation and discussion of this subject reaches a point which brings about a voluntary and easy system of consolidations general to the country as a whole. Meanwhile a good many consolidations will undoubtedly have taken place as a result of more or less voluntary action, or perhaps as the result of Congressional action designed to compel roads to enter into combinations.

It is worth noting that bills are already pending in Congress intended for the purpose of driving strong roads into voluntary union with weak ones. From the standpoint of rather long-range speculation, the railroad field unquestionably offers far greater opportunities than it has presented for a long while past. This is due to the extensive modification of earning power made possible under recent decisions.

Careful study of trends in earning power as rates are varied, and corresponding purchasing of stocks may thus in the long run bring considerable results. The actual effect of the new policy from the short-term standpoint is still too obscure to permit of direct speculative interpretation. It is probable that railroad securities of all kinds will tend, within the next

## Security Market Profits

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### Scientific Security Selection

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few years, to pass from an investment status to a much more largely speculative basis, as the modification of our rate structure proceeds, and as the various experiments looking toward consolidation are attempted. These experiments, however, will in nearly all cases be based upon the thought of bringing about an artificial redistribution of earnings which will help the weak railroads with a view to paving the way for consolidation.

### THE POSITION OF ADVISORY SERVICES

*(Continued from page 1028)*

Thus is the way open for those who have undertaken to qualify as investment or trading experts. They are free to advertise and circularize, calling attention to the character of their advices and inviting subscriptions to their advisory services.

Some of these organizations are qualified to give advice as to the purchase and sale of stocks for speculative purposes; others are not. As in other fields, it is a question of the survival of the fittest. The ability of any concern to hold its subscribers year after year depends upon the amount of money or educational benefits which subscribers derive as a result of their payment of a yearly fee.

Reference should here be made to the fact that in order absolutely to prove what results have been realized by any organization, it is necessary that (1) the advice must include both the opening and closing operations; that is, the client must be told what and when to buy, and what and when to sell; (2) advice should be accompanied by instructions to buy or sell either at the market price or at a definite price. Unless these two main requisites are complied with, no advisory service can ever legitimately claim a specified result which clients should have been able to secure if they had followed to the letter the advice issued by the organization.

Subscribers very often do not agree with the character of the advice received from these services, so that the result is frequently diluted by a mixture of the clients' judgment with that of the advisor. In such cases no fair estimate can be made of the undiluted result that could have been attained.

Those who have subscribed to certain of the advisory services have expressed their opinions as follows:

(1) The advice is of such a general nature that nothing more than an intimation of optimism or pessimism is derived therefrom.

(2) Certain industries are shown to be in a favorable or unfavorable position, but the subscriber finds himself unable to decide which stock is in the best position for his operation, and as he is unable to buy all in that group, he is very apt to pick the wrong one. The statistics which are furnished do not admit of proper comparison and accurate decision.

(3) Many such advices are written in a way that no matter what happens the advisor will be able to point out the correctness of his statements.

(4) Advice is based upon attempts to reconcile numerous economic, political,

psychological and other factors, and utterly to disregard some of the most vital technical considerations. A knowledge of manipulation and stock market technique is entirely lacking.

The above is not intended as a criticism but as the composite expression of a number of opinions which have been gathered as to the value of various kinds of advisory services.

### No One Always Right

No one claims that any one in the business of furnishing advices can attain 100% accuracy. Should this be done it would be fatal if continued for any length of time. We have seen instances where a series of correct advices were followed by a great many non-subscribers making heavy commitments, so blindly, that the very accuracy of the advices proved to be a detriment, inasmuch as an unwarranted and dangerous following was secured which finally resulted in unsatisfactory net returns to the original subscribers.

The best that any one can do in this very difficult line of work, is to be right much more often than he is wrong; that is all any one in or out of Wall Street can expect. The broker who can do this will acquire a big clientele. The advisor who acquires a reputation for sound market judgment most of the time, will secure an enviable following.

### An Important Market Influence

The advisory business, it will be admitted, now plays an important part in the operation of Wall Street's machinery. Any one in doubt of that should listen to the discussions around the brokerage houses where any change in the position of this or that leading advisor is flashed from one end of the Street to the other in a few moments. This may be a source of satisfaction to some, but it is a detriment to the business of those who are selling advices and not broadcasting them. People seldom place a true value upon what they get for nothing and if they can learn whether a certain qualified judge of the market is bullish or bearish, they feel the same satisfaction that they do in making a false income tax return or in beating a railroad company out of a fare—they think they have got something for nothing.

People should be willing and are willing to pay for advice which yields them a profit. If their brokers cannot furnish it they should console themselves with the fact that the broker is not really compensated and should not be expected to do so and that the furnishing of profitable advice on the stock market has come to be recognized as a separate and distinct profession. The broker is paid his commission for executing orders; the client should therefore either educate himself up to the point where he is able to form a substantially correct judgment of his own, or he should engage others who furnish such judgment as will aid him to secure better results. What one gets for nothing is usually worth it.

The highest priced writer in the world would be he who could write the words "Buy Now," or "Sell Now," and prove that his advice is invariably correct. No

## Dividend Possibilities

of non-dividend paying

### Railroad Stocks

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price would be too great to pay such a man; but as no such person exists, the next best in the way of an advisor is one whose record shows a high percentage of accuracy. Any one who claims to accomplish more than that is merely playing upon the credulity of the public and is therefore not worthy of notice. All any such service can do is to realize for the subscriber a profit over and above cost of the service, commissions, taxes, etc., but this can be accurately judged only when the subscriber actually follows the advice to the letter. If he mixes his own judgment with that contained in the advisory service, he cannot judge fairly. But, of course, in his own conscience he knows whether or not the latter has really helped him, even though he often hesitates to admit it.

### Some Mistakes of the Public

The commonest error is to jump to the conclusion that a trial subscription of a month or three months will enable a man with \$1,000 to run it up to \$10,000 or \$20,000. In ordinary times money is not made in Wall Street in just that way. Trading operations consist of a series of transactions which should be in an equal number of shares. In some of these losses will occur, and in others profits will result. It is the net at the end of the year that shows the character of the judgment upon which operations have been based.

Both large and small traders have good and bad days, weeks and years. Any one who expects to realize a continuous string of profits in trading, or to have every one of his investments go right, will be sadly disappointed. He cannot accomplish this himself and no one can do it for him. He must learn to take his reverses in the market as in business, war and personal affairs.

No one is justified in believing that because someone understands the market and has attained prestige as an advisor that it is only necessary to drop a subscription in the slot in order to take out a fortune. A certain amount of time is necessary in order to acquaint oneself with the workings of a certain advisory service, just as when new players are added to a baseball club they are kept on the bench for a while watching the fine points and the peculiar habits of their own and the opposing players.

One is justified in becoming a subscriber to an advisory service if he cannot, on his own judgment, decide the right times to buy and sell, because it is more important to know *when* to buy and *when* to sell than to know *whether* to buy or sell. Subscriptions are also justified when the trader or investor is unable to select the stocks which are not only safest but most likely to move the greatest number of dollars per share and in the desired direction, within a certain limited time. And if he cannot secure from his broker or from any other experienced friend such advice and information as will, at the end of, say, a year, realize a larger number of dollars in profit than dollars in losses, then he is justified in patronizing a high class, legitimate advisory service.

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perks in their line issue advisory services? If they know so much about the subject, why do they not make all the money they need therefrom and thus avoid having to sell their opinions?

In order to answer this question, which is a fair one, we must first explode the theory that because a man understands the stock market he has it within his power to become rich over night. Nothing could be further from the truth. It is of course true that stock market plungers, by risking their entire capital, frequently make a winning play and jump from very modest circumstances to affluence within a short time, but with most people who are not willing to take such extraordinary risks, stock market operations are undertaken more conservatively and the process of money making is therefore slower and less uncertain than the progress of the plunger.

Most of those who operate the best class of advisory services are themselves Wall Street investors; their stock market operations are secondary and are conducted conservatively over a period of years. As their advices indicate, their judgment is not invariably correct; hence, their operations do not invariably show profit, but in the net, over a reasonable period they are satisfactory.

A man may be a good judge of business conditions and market tendencies, and still be lacking in the peculiar characteristics necessary for an outstanding success as a trader, and it does not therefore follow that because a man can do fine work as a market analyst that he should become famous as a large operator; his tendencies may not run toward trading, but toward analysis. It no more follows that a broker who by his knowledge of the business is able to render excellent service, should also be a proficient judge of the market. The fact is, market analysis is an art and a science as well as a profession. Very few people can qualify for it. Those who do and who have spent a large part of their lives in that very work, are entitled to remuneration from those who employ them. This latter class is largely made up of those who have not the time, personal qualities, nor the disposition to devote themselves to market studies.

Their studies, analyses and forecasts are available to them as well as to their subscribers. As one of them said: "What is good enough for my subscribers, is good enough for me; and what is good enough for me, is good enough for my subscribers." This man invested largely but he traded only occasionally and in a moderate way. The fact that he did so proved he was willing to take his own medicine. But there was no advantage to him in so doing, any more than to his subscribers, because market conditions following his advices could not be anticipated.

Another common fallacy is the assumption that if certain advice does not immediately turn out to be correct, the service is unworthy of further patronage. Such people do not run their own businesses that way; they would not think of first establishing a business and then closing it out because a sufficient amount of profit was not realized in a month or three months. They naturally provide them-

selves with sufficient capital to go along for a year or two. After operating under the guidance of a reliable advisory service for such a period, they would know better not only how to use the advices but would understand many of the fine points involved in applying them.

Some people undertake to trade in the stock market and find themselves utterly unfit to operate profitably; yet they keep at it year after year and become what is known as chronic losers. To such people an advisory service which would reduce their losses or even keep them from losing, would be a very great advantage. Any one who can make \$10,000 a year by himself would be benefited by a service that could aid him in increasing his profits over that amount.

People should understand that trading and investing operations are certain forms of business. In order to succeed it is necessary to understand the technical details of this business. One equipped with a certain set of business brains cannot in a month or two adjust himself to a type of enterprise fundamentally different from anything he has before undertaken; if a certain type of service will aid in reducing or eliminating losses and adding or piling up profits, the subscription fee should prove a good investment.

Advisory services of the legitimate kind are the outgrowth of a demand for conscientious and profit making advice, and it is reasonable to assume that those who desire it feel that they lack the necessary qualifications to enable them to invest or trade profitably. In engaging someone else to guide them they are merely following their usual custom of looking to their lawyer, physician, architect, and others professionally retained by them for assistance in the conduct of their business affairs.

#### HOW THE LOAN SHARKS STILL FATTEN ON MEN'S MISFORTUNES

(Continued from page 1023)

rather than holding on to the goods in expectation of the market coming back.

By and by he found his cash resources low, his bank credit strained, his merchandise creditors importunate. He got in touch with a money lender who explained that while he had no funds available for an unsecured loan, or on such bills receivable as the merchant could muster, he represented "an estate" whose trustees frequently permitted him to make such loans. The merchant did not stop to consider that trustees of estates are virtually officers of the court and are compelled to file accountings which are pretty closely scrutinized before being approved. He saw what he thought was succor—instead of seeing himself as the "sucker."

The merchant needed \$1,200 to meet his most pressing merchandise bills and take up a note at the bank. Then, he figured, he would be able in a brief space of time to liquidate his indebtedness to the "agent." He was told that in view of the circumstances he would have to pay "a small bonus" to the trustees in addition to

(Please turn to page 1079)

APRIL 12, 1924

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## Over-the-Counter

### IMPORTANT ISSUES

Quotations as of Recent Date\*

Allied Packers .....	2	—	3½	Poole Engin'g (Maryland):		
Pr. Pfd. ....	24	—	25	Class A .....	19	— 21
American Arch (5P).....	87	—	91	Class B .....	19	— 21
American Book Co. (6)....	90	—	95	Richmond Radiator Co.....	8	— 12
American Cyanamid (4P)..	88	—	93	Pfd. ....	65	— 75
Pfd. (6) .....	73	—	77	Royal Baking Powder (8)...	133	—140
Amer. Thread pfd. (5%)...	3½	—	4½	Pfd. (6) .....	98	—100
Amer. Type Founders (7)..	98	—	100	Safety Car H. & L. (8)....	98	—100
Pfd. (7) .....	102	—	104	Savannah Sugar (6).....	70	— 73
Atlas Portland Cement (4).	88	—	91	Pfd. (7) .....	87	— 89
Babcock & Wilcox (7)....	119½	—	121	Sheffield Farms (6).....	100	— ..
Borden Co. (8).....	119	—	121	Pfd. (6) .....	88	— 93
Pfd. (6) .....	102½	—	105	Singer Mfg. Co. (7).....	129	—133
Bucyrus Co. ....	60	—	65	Superheater Co. (K).....	105	—110
Pfd. (7A) .....	x100	—	106	Technicolor, Inc. ....	8¼	— 9¼
Celluloid Co. (6).....	74	—	78	Thompson-Starrett (4) ...	65	— ..
Congoleum Co. pfd. (7)...	100½	—	102½	Victor Talking Mach. (8)...	147	—150
Crocker Wheeler (1¼)....	25	—	30	White Rock (K).....	9¾	— 10¾
Pfd. (7) .....	78	—	85	2nd Pfd. (5).....	55	— 60
Eisemann Mag. pfd. (7)...	53	—	56	1st Pfd. (7).....	83	— 87
Franklin Rwy. S. new w. i.	96½	—	102	Yale & Towne (4P).....	69	— 70
Jos. Dixon Crucible (8)...	134	—	139	* Dividend rates in dollars per share designated in parentheses.		
Ingersoll Rand (8P).....	180	—	185	P—Plus Extras.		
Johns-Manville, Inc. (3P)..	100	—	106	A—Arrears of 8% being discharged at regular intervals.		
Mc Call Corp'n.....	50	—	54	B—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.		
Pfd. (7B) .....	115	—	120	x—Ex-Dividend.		
Merck & Co. pfd. (8).....	66	—	70	K—Dividend rate on this stock not established.		
National Fuel Gas (5P)....	86	—	..			
New Jersey Zinc (8P)....	145	—	148			
Niles-Bement-Pond .....	40	—	43			
Pfd. (6) .....	70	—	80			
Phelps-Dodge Corp'n (4)...	115	—	125			

THE Over-the-Counter market was dull and drifted lower during the fortnight. Investment interest was at a low ebb and there was probably a certain amount of liquidation by those preferring to be long of money for the time being. Dulness and not weakness, however, was the chief characteristic of the market and not much importance was attached to the price-changes.

### SHEFFIELD FARMS CO., INC.

#### The Investment Status of Its Preferred Shares

For those having surplus funds pressing for investment, securities involving a minimized risk are considered the most appropriate at this time. Such an investment evidently exists in the preferred shares of the Sheffield Farms Co., Inc.

Sheffield Farms is well known through the east as a producer, collector and distributor of milk and milk products. It has numerous properties scattered over New York, Vermont, Pennsylvania and New Jersey, including farms, receiving stations, bottling and pasteurizing plants, etc. It also owns and operates 200 grocery stores in Greater New York carrying a complete line of dry groceries as well as the principal products of the company—milk, condensed milk, cream, cheeses, etc.

Over a period of years the company

has made very substantial progress. Its output of milk since 1913 has more than doubled. In 1913 the output amounted to 210 million pounds, and in 1921 it reached 496 million pounds. There was a slight recession in output in 1922 and a recovery in 1923.

The gross sales of the company have expanded steadily. If we ignore the years 1921 and 1922, which were affected by strike conditions in the delivery service departments, the record of gross sales shows a constant increase, year by year, from 26.3 millions in 1918 to over 41.1 millions in 1923.

The company practices what would seem to be great liberality in the matter of depreciation. Since 1918, over \$4,900,000 has been charged off to this account, the charge-off in 1923 being \$1,053,408, with total property and plant values carried in the latest balance sheet at about \$13,000,000.

Sheffield Farms' capital liabilities consist of underlying property mortgages of \$1,190,330, \$2,425,000 1st & Refunding Mortgage bonds (of \$4,000,000 authorized), \$4,310,000 common stock (authorized \$7,500,000, par \$100) and \$1,500,000 6% Cumulative preferred stock (authorized \$1,500,000, par \$100).

The company's Net Profits after Federal Taxes and available for dividends on the preferred and common shares have compared as follows since 1918

(again ignoring the affected years 1921 and 1922):

1918 .....	\$757,000
1919 .....	810,000
1920 .....	909,000
1923 .....	998,000

Average .....\$870,000

This average of \$870,000 compares with preferred dividend requirements of only \$90,000 yearly and shows the preferred requirement to have been earned on the average in these years nearly ten times over. For 1923, obviously, the preferred dividend was earned more than 11 times over.

After preferred dividends of \$90,000 the average amount available for the common dividends in the years shown would be \$780,000, or the equivalent of more than \$18 per share on the present 43,100 shares outstanding. The 1923 recovery was the equivalent of more than \$21 a share.

The common stock of Sheffield Farms is apparently very closely held and does not seem to enjoy ready marketability. For this reason alone it cannot be recommended except for an investment of indefinite duration, despite the wide margin of earnings and the fact that Sheffield Farms has been very liberal in common stock disbursements in past years.

Sheffield Farms preferred, although a very small issue, nevertheless enjoys good marketability and can be purchased in the present market around 93 to yield about 6.45%. It seems a conservatively attractive medium on that basis.

#### HOW THE LOAN SHARKS STILL FATTEN ON MEN'S MISFORTUNES

(Continued from page 1077)

6 per cent, and that while the loan would be for 60 days it would be renewed for succeeding periods of 60 days.

The bonus proved to be \$100; the interest \$12; "charges for drawing papers, etc." \$25; and the "agent" tacked on his 3 per cent commission of \$36. All told the borrower received \$1,027—for it was all "discounted"—and signed a 60-day note for \$1,200. Had he paid the loan at the end of 60 days he would virtually have paid \$173 for 60 days' use of \$1,027, which was at the rate of 102 per cent a year.

At the end of sixty days the merchant was unable to meet his note. He asked for the 60-day renewal originally promised and was assured it would go through all right, but that new papers would have to be signed, the old note paid off, and the other arrangements complied with. He raked together \$1,200 and paid it over to the agent who explained that it was necessary again to pay a bonus, but that he had succeeded in having it reduced to \$50. The borrower received the agent's check for \$1,077, having paid \$123 for another 60 day's use of the original funds. For four months' use of \$1,027 he had paid \$296, but so far as any documents

APRIL 12, 1924

## THE EQUITABLE TRUST COMPANY OF NEW YORK

Alvin W. Krech, Chairman of the Board

Arthur W. Loasby, President

### Condition at the Close of Business, March 20, 1924

#### ASSETS

Cash on Hand and in Banks....	\$44,549,585.24
Exchanges for Clearing House...	23,633,649.26
Due from Foreign Banks.....	11,090,489.78
Bonds and Mortgages.....	8,978,464.00
Public Securities.....	18,994,697.92
Short Term Investments.....	3,447,118.32
Other Stocks and Bonds.....	16,053,614.17
Demand Loans.....	61,445,970.51
Time Loans.....	36,557,546.33
Bills Discounted.....	93,612,776.17
Customers' Liability on Accep- tances (Less Anticipations)...	23,684,679.82
Real Estate.....	4,518,770.00
Foreign Offices.....	55,398,680.00
Accrued Interest Receivable and Other Assets.....	3,042,949.72
	<b>\$405,008,991.24</b>

#### LIABILITIES

Capital.....	\$23,000,000.00
Surplus and Undivided Profits...	10,659,486.64
Deposits (including Foreign Offices).....	336,884,603.41
Acceptances (Less in Portfolio)...	27,393,925.19
Notes Payable and Rediscounts...	NONE
Accrued Interest Payable, Reserve for Taxes, and Other Liabilities	7,070,976.00
	<b>\$405,008,991.24</b>



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were concerned the loan bore only the legal interest of 6 per cent a year, or \$24.

By the end of the second 60 days the borrower was in despair. Times had not improved as he had hoped. His shelves were still clogged with goods, and because of his damaged credit his entire stock was getting seedy. His bank, too, was pressing him, for it recognized the signs. It began cautiously hauling in its paper and the merchant was too busy scraping money together for the bank to be able to accumulate enough to pay off his \$1,200 note.

### "Cheering Him Up"

He went to the agent—the actual money lender he was, of course, but found it helpful to assume the title of agent—and put the case before him. He found great cheer.

"Buck up," said the weevil. "Buck up, man. Business is just at the turning point, and we'll have good times on us before you know it. You get your funds together as before, pay off this loan, and I'll get the trustees to extend it 60 days longer. And I'll tell you what I'll do. You're a young man, and I like you. I'll get them to cut down their bonus if I can, and if I can't I'll knock off my commission. As a matter of form you might fill out the new application now and I'll push it through just as before."

For several days the young merchant went about his affairs in a more hopeful frame of mind. He strained every nerve to get together enough to make sure he would have \$1,200 and more in the bank when his check went through, for he did not want the bank to find him depositing the agent's check to meet his own. But he couldn't quite meet it. He turned to two of his closest relatives—and explained part of the case to them. He needed \$500 in order to swell his account for a week or so. Would they accommodate him? They would. They did.

The day the note was due the borrower repaired to the office of the agent, and was greeted with a hearty hand clasp. Before he was more than in the door he had a good cigar in his hand and the agent was demanding of his chief clerk that the borrower's papers be secured. They were brought out and the agent said:

"Well, let's get on with it. Got your check?"

It was produced, and the work of canceling the old note was being proceeded with, when the agent discovered the check hadn't been certified.

"It wasn't certified last time," said the debtor.

"Sure, it was," said the agent. "It's a matter of form, but we have to show the trustees that you actually tendered either cash or certified check—showing you had the money, you know. Oh, well; it's all right, I suppose, but I'll just send a boy around to have it certified this afternoon, or in the morning."

The agent was in and out of the office several times, continually urging the clerk to hurry with the transaction, as "My friend Robinson can't spend all day here—besides there are two other clients waiting outside."

The clerk took a long time. Finally he

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finished scribbling, and cancelling, and entering, and handed the debtor his cancelled note, with an air that signified the day's work was ended so far as they two were concerned.

The borrower waited a moment, then he reminded the clerk: "About the renewal, now—"

The clerk looked blank. He turned and looked questioningly at the agent who had returned to the room in time to hear the question and note the clerk's apparent puzzlement. The agent interposed:

"Yes, yes; the renewal. Robinson is to have a renewal of that note for 60 days longer. The papers are there."

The clerk protested they were not. "You said nothing to me about a renewal," he said.

"What of it?" snapped the agent. "Do I have to tell you every little thing? Can't you see the renewal papers are all made out?"

The clerk returned to the pile of documents he had been wading through but insisted there was nothing to indicate a renewal had been arranged. The agent went into a back office and loudly asked Miss Somebody-or-other if she had made out the renewal papers for "Mr. Robinson." "Robinson," he repeated. "My friend Robinson—the dry goods man on Blank Street."

The colloquy between the agent and the young lady in the back was audible. It finally developed that the application had not been received from "the trustees," and the agent proceeded to speak his piece regarding the way business was neglected and important matters overlooked unless he did every one's work, including the office boy's. "Fine bunch of dunderheads you are around here," he exploded. "I've a good mind to get in an entire new crew—but they'd probably be worse."

He then gave directions for a long-distance telephone call to be put through to some one who appeared to be the principal trustee, and announced his intention of "taking his head off."

He then returned, red-faced, puffing and apologetic to "friend Robinson." He strove to recover his poise. "After all," he explained, "one day won't matter and this time tomorrow we'll have everything ready. Come in at 11:30 and we'll fix it all up," he assured his "friend."

Robinson left. He had paid off his loan, but the new loan would be made the next day. He slept soundly, undisturbed by any premonition of trouble. When he opened his mail, next morning, however, it was to find a neatly typewritten note from the agent. It regretted to inform him that "the trustees had passed unfavorably upon his application for a loan."

He tried to get his friend the agent on the telephone, but was told he was out. He rushed down to his office but was unable to get by the office boy.

Seized by a sudden thought he chased around to his bank to stop payment on the check. He had a hazy idea that he could make the agent or the trustees sue and in the meantime he would be able to get enough together to get out of trouble.

He found that his check had been certified the day before—while he was sitting in the agent's office.

Three day's later he went into bank-

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Kansas City, Kans. ....	5%	1929/33	4.60%
El Paso, Texas .....	5%	1959/39	4.70%
San Antonio, Tex. ....	5%	1932	4.80%
State of North Dakota .....	5%	1944	4.80%
Sumter County, So. Car. ....	5%	1933/4	5.00%
Corpus Christi, Tex. ....	5%	1955/6	5.25%
Lake County, Fla. (Dist.) .....	6%	1951	5.50%
Shelby County, Texas .....	6%	1947/56	5.75%

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ruptcy. He had \$250 cash in bank, and his bills payable hugely overtopped his bills receivable. His assets were much below his liabilities and they consisted principally of shelf-worn goods.

The practice of paying off one loan and immediately renewing it is one of the oldest "kinks" in the usurer's game. The promptness with which the new loan is arranged gives the borrower confidence in the "matter of form," and when the final act comes he steps up as blithely as any sheep ever went to slaughter.

*(This is the second of a series of striking articles revealing the practices of Loan Sharks, Market "Riggers," Fake Stock Promoters, Bucket Shopsters and other boll-weevil pests of the world of finance. Succeeding articles in this series will appear in later issues.)*

### THE UNFAIR PRACTICE OF FILING INCOMPLETE FI- NANCIAL REPORTS

*(Continued from page 1026)*

sibly, the suggestion that D. & H.'s coal company is or could be a sufficient bulwark to justify the road's continuance of dividends in hard times may be wholly indefensible—even absurd.

On the other hand, we think this little discussion crystallizes, very clearly, the importance of the coal company's affairs from the investment point of view. We feel that it indicates how far more completely the road might fulfill its obligations (as we see them) to stockholders were it to reveal the facts concerning this subsidiary, instead of withholding them.

And the same could be said with equal justice of many other corporations. A subsidiary is an integral part of a mother-organization. To a knowledge of the parent-organization, it is necessary to have a proper knowledge of the subsidiary. When such knowledge is withheld, or rendered unobtainable, then the stockholder must go without information that may be vital to him—information, for example, which might protect him from sacrificing what is actually a first-class investment due to a remediable ignorance of the actual facts.

*(This is the second of a series of articles dealing with the general subject of Corporation Reports. In the next article, other examples of misleading, inaccurate, too infrequent or otherwise unsatisfactory reports will be given. The series will close with specific recommendations based on a study of the requirements and reasonable rights of investors and stockholders.)*

### HOW TO APPLY THE SCIENTIFIC THEORY OF SWITCHING TO CONCRETE CASES IN THE PRESENT MARKET

*(Continued from page 1022)*

4s of 1934 into TOLEDO ST. LOUIS & WESTERN 4s, due 1950. The latter are assumed by N. Y. C. AND ST. L. ("NICKEL

PLATE"), a very prosperous system, paying 6% on its common. Rock Island has made an indifferent showing for some years, and the large junior bond issue must be considered as second grade.

This exchange can be made at about the same price, with the investor accepting a postponement of maturity in return for substantially increased security. Experience has shown that assurance of repayment is far more important than the date of repayment.

The switch from INTERBORO RAPID TRANSIT 5s has been selected to illustrate another important investment principle—namely, that the bondholder must of necessity pay more attention to unfavorable than to favorable factors. His return is limited and cannot be increased no matter how much the earnings may rise; but a severe reverse may endanger his interest payment. The I. R. T. set-up is fundamentally unsound from the standpoint of the bondholder, because the fixed charges are so heavy as to consume almost all the present available income—leaving a scant margin to meet any unexpected revenue losses.

No matter how optimistic we may be as to the future growth of earnings, the fact cannot be escaped that the bonds lack one prime requisite of safety—a large aggregate of junior securities to absorb fluctuations in earning power. For this reason an exchange into either BROOKLYN-MANHATTAN TRANSIT 6s, or THIRD AVENUE 4s, or both, appears logical, especially since it can be effected without loss of income. B. M. T. has earned its fixed charges about one and a half times; Third Avenue nearly twice; while Interboro's margin is only about fifteen per cent.

### Common Stock Exchanges

Recommending common stock switches is a difficult, hazardous, and generally thankless job. No matter how complete and accurate an analysis may be, there is always a possibility either of some new condition arising to belie your conclusions, or else of the market refusing to act in accordance with your just expectations. To illustrate the former point, an exhaustive comparison of NORFOLK & WESTERN with READING, made a few months ago, undoubtedly indicated the latter to be far more attractive. But the Pennsylvania lease negotiations have of course entirely changed the situation, for if consummated it will inject an entirely new element of value into Norfolk stock.

Again, with respect to the market action, the writer recalls pointing out some time ago in this Magazine, that AMERICAN HIDE & LEATHER PREFERRED was more attractive than CENTRAL LEATHER PREFERRED, then selling five points higher. Nevertheless, the spread increased later to fifteen points in favor of Central Leather preferred—though the switch recommended was fully justified in time by a twenty point decline in the latter and a twenty point advance in Hide & Leather preferred.

Hence, the switches suggested in the accompanying table must be accepted merely for what they represent—to wit, the result of a careful analysis of all the available facts regarding the issues

treated—and not as infallible recipes for profit-making. These we must discuss with almost indecent haste.

KANSAS CITY SOUTHERN is preferred to NEW HAVEN because the latter has serious financial problems from which the former is exempt; while the possibilities of increased earning power seem fully as great in the smaller road. In the ONTARIO & WESTERN-WABASH exchange, the emphasis is the other way—namely, that Ontario & Western's disproportionately large stock issue makes it difficult to earn an appreciable percentage on its shares, while Wabash, with its relatively small amount of common stock, easily translate favorable conditions into substantial per-share earnings. Nor is there any reason to prefer Ontario & Western on the grounds of superior financial strength.

The contrast between READING and D. L. & W. is very striking. Reading earned over \$10 per share last year, pays \$4 and sells at 55, while Lackawanna earned \$7.50, pays \$6, but sells over 120. Reading has been reporting larger gross and much larger net earnings than D. L. & W., yet the latter's stock is selling in the market for over \$200,000,000 against \$77,000,000 for Reading common. Lackawanna's fixed charges are smaller, but Reading is so strongly entrenched as to make this difference unimportant. A bullish argument has been built on the possibility of a distribution of D. L. & W.'s coal bonds (worth about \$38 per share), but it is hard to see how the value of what is left can fail to be reduced by what is given away—especially as the loss of \$2,400,000 per year income from the treasury bonds might well endanger the continuance of the \$6 dividend.

A switch from PITTSBURGH & WEST VIRGINIA to PERE MARQUETTE seems justified, because Pere Marquette pays \$4 while Pittsburgh & West Virginia has so far paid nothing; furthermore, Pere Marquette has been earning substantially more than the other road even though the latter has included in its income dividends from its coal subsidiary in excess of the latter's current profits.

A similar switch in the industrial field from ANACONDA to KENNECOTT is based on the latter's ability to earn and pay \$3 to shareholders under conditions necessitating the suspension of dividends by Anaconda. In the same way, the small likelihood of any payment being made by RAY COPPER, unless conditions change materially, would apparently justify a switch to WRIGHT AERO, whose \$1 dividend has been maintained for some time. Wright is handicapped by a huge but very nebulous government suit, on the other hand, its cash asset position is extraordinary.

The AMERICAN AGRICULTURE-ATLAS TACK switch exemplifies a somewhat different idea. Both issues have declined because of poor earnings. But Atlas Tack has no prior securities; its market price is covered by net current assets; and it could resume dividends whenever profitable conditions return. (The president estimates earnings of \$4.50 per share on a normal basis.)

American Agriculture Chemical has a heavy handicap of cumulative preferred dividends, and the presence of a substan-

# Guaranty Trust Company of New York

CONDENSED STATEMENT, MARCH 20, 1924

## RESOURCES

Cash on Hand, in Federal Reserve Bank and Due from Banks and Bankers.....	\$ 91,818,245.42
U. S. Government Bonds and Certificates.....	32,762,991.02
Public Securities .....	23,688,404.45
Other Securities .....	22,870,050.96
Loans and Bills Purchased.....	328,928,124.56
Real Estate Bonds and Mortgages.....	1,879,050.00
Items in Transit with Foreign Branches.....	10,878,096.13
Credits Granted on Acceptances.....	32,486,639.64
Real Estate .....	8,339,099.41
Accrued Interest and Accounts Receivable.....	14,344,075.23
	<b>\$567,994,776.82</b>

## LIABILITIES

Capital .....	\$25,000,000.00
Surplus Fund .....	15,000,000.00
Undivided Profits .....	3,709,881.09
	<b>\$43,709,881.09</b>
Accrued Dividend .....	667,000.00
Accrued Interest Payable and Reserve for Taxes and Expenses .....	4,524,691.59
Miscellaneous Liabilities .....	13,071,905.35
Acceptances:	
New York .....	\$21,675,132.14
Foreign Branches.....	10,811,507.50
	<b>32,486,639.64</b>
Outstanding Treasurer's Checks.....	10,333,005.33
Deposits .....	463,201,653.82
	<b>\$567,994,776.82</b>

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tial amount of senior securities places it in a much weaker strategic position than Atlas Tack.

The GENERAL ELECTRIC-WESTINGHOUSE exchange is one of those propositions that ought to work out well but frequently don't. Westinghouse has been doing about one-half the business and earning about one-half as much per share as General Electric. Yet General Electric sells at nearly four times the price of Westinghouse. The latter yields a better dividend return. A thorough canvas of the situation—including such special features as General Electric's investments and depreciation charges, and the effect of the radio business on future profits, fails to disclose any convincing justification of the present spread. We are left to speculate upon a possible split-up of General Electric (which means nothing intrinsically) or else upon extraordinary results to be realized later from some new development, such as perhaps the mercury vapor engine. Looking at the matter through the eyes of the investor, the much larger present earning power of Westinghouse, in comparison with its price, would seem a sounder basis of purchase than any grandiose but shadowy hope of future miracles by General Electric.

Obviously a brief article such as this can do but scant justice to so comprehensive a subject as security switches. The aim has necessarily been, therefore, not so much to make out a complete and convincing case for each exchange suggested, as to illustrate a number of general ideas by specific examples.

### PUTTING A BOY THROUGH COLLEGE ON 10c A DAY

(Continued from page 1049)

will have grown to approximately \$950.00. At this time my boy will be in High School, and this money will be of valuable assistance in enabling him to defray his expense at college.

I believe that if parents can send their children, especially boys, to college, and give them an education, they have invested in a gilt-edge security. A young man with an education has an investment which no "gold-brick" artist or "wild-cat" stock salesman can wrest from him. Therefore he is much better prepared to enter upon a successful career than those to whom large fortunes have been left by their parents, but are without an education. A fortune may be lost over night; an education never.

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1, 1924.

State of New York } ss.:  
County of New York, }

Before me, a Notary Public in and for the  
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E. D. King, who, having been duly sworn accord-  
ing to law, deposes and says that he is the  
Managing Editor of The Magazine of Wall  
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where the stockholder or security holder appears  
upon the books of the company as trustee or in  
any other fiduciary relation, the name of the person  
or corporation for whom such trustee is  
acting, is given; also that the said two paragraphs  
contain statements embracing affiant's full knowl-  
edge and belief as to the circumstances and con-  
ditions under which stockholders and security  
holders who do not appear upon the books of the  
company as trustees, hold stock and securities in  
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interest, direct or indirect, in the said stock,  
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5. That the average number of copies of each  
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E. D. KING,  
Managing Editor.

Sworn to and subscribed before me this 17th  
day of March, 1924.

(Seal) John J. Janes,  
(Notary Public No. 18)  
New York County, N. Y.

My commission expires March 30, 1926.

for APRIL 12, 1924

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132

## WHAT TO KNOW BEFORE BUYING PUBLIC UTILITY SECURITIES

(Continued from page 1055)

where the largest subsidiary, the Consumers Power Company, is located. Although this stock has had a most startling rise from below 25 a year or so ago, there is every reason to believe that it may appreciate still more over the next year.

4. The *American Electric Power Company* is the new name of the old *American Electric Railways*, which has had a rather low period for the last few years. If the company can continue to earn at the present rate or better on the common stock, selling at 25, there is quite a possibility for a considerable appreciation in the stock. This company is an example of the top-heavy capitalization mentioned previously in that the common stock comes after approximately \$42,000,000 in funded debt and preferred stock of subsidiaries, \$16,500,000 funded debt of the holding company, and \$5,077,000 preferred stock of the holding company. The gross earnings, in spite of the fact that the company has a large number of street railways, grew from a figure of \$14,234,000 in 1918 to \$20,804,000 in 1923.

5. Although the *General Gas & Electric Company* common stock might seem to be the best purchase of the group from the earning basis, the particular drawback in this case is that there are still back dividends on the Class B preferred stock amounting to approximately \$49.00 a share, which will have to be paid off or gotten out of the way before the common can expect to receive anything. However, for a long-pull proposition this common stock, or better the Class B preferred stock, which is selling for approximately 94-98, with the \$49.00 in accumulated dividends, looks rather attractive.

6. The *Middle West Utilities Company* has staged a rather remarkable comeback the last two years and now has demonstrated an earning power which would stamp the common stock selling for \$54.00 a share as another good speculation. It is a little difficult to tell from the company's annual report whether the \$11.65 per share earned is before or after depreciation, but we have assumed herein that it is after depreciation of subsidiaries.

### ATTENTION!

Readers of THE MAGAZINE OF WALL STREET are invited to send in names of friends who are likely to be interested in financial matters. In exchange for this courtesy, we shall be glad to send free a copy of "Bond Yields at a Glance." This valuable set of tables tells you in an instant the yield of any bond at any price.

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## Dividends

### The Baltimore & Ohio Railroad Co. OFFICE OF THE SECRETARY

Baltimore, Md., March 26, 1924.  
The Board of Directors this day declared for the three months ending March 31, 1924, from the net earnings of the Company a dividend of one (1) per cent on the Preferred Stock of the Company, payable June 2, 1924, to the stockholders of record at the close of business on April 12, 1924.

The Board also declared from the surplus earnings of the Company a dividend of one and one-quarter (1 1/4) per cent on the Common Stock of the Company, payable June 2, 1924, to the stockholders of record at the close of business on April 12, 1924.

The Transfer Books will not close.

C. W. WOOLFORD, Secretary.

### SOUTHERN RAILWAY COMPANY

New York, March 13, 1924.

#### PREFERRED STOCK

A semi-annual dividend of two and one-half per cent (2 1/2%) on the Preferred Stock of Southern Railway Company has this day been declared payable on April 21, 1924, to stockholders of record at the close of business March 29, 1924.

#### COMMON STOCK

A quarterly dividend of one and one-quarter per cent (1 1/4%) on the Common Stock of Southern Railway Company has this day been declared payable on May 1, 1924, to stockholders of record at the close of business April 10, 1924.

C. E. A. MCCARTHY, Secretary.

### REYNOLDS SPRING COMPANY

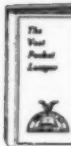
Jackson, Michigan

At the regular meeting of the Board of Directors held in Jackson, Michigan, March 31, 1924, a dividend of 50c a share on the Common stock of Reynolds Spring Company was declared payable May 1, 1924, to stockholders of record April 15, 1924.

HAROLD D. KESSELING,

Secretary.

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## Dividends

### HUPP MOTOR CAR CORPORATION

March 26, 1924.

At the Directors' meeting held March 25, 1924, a quarterly dividend of 2 1/2% on the COMMON stock of the corporation was declared, payable May 1, 1924, to stockholders of record April 15, 1924. Checks will be mailed.

A. VON SCHLEGEL, Treasurer.

### INTERNATIONAL PAPER COMPANY

New York, March 26, 1924.

The Board of Directors have declared a regular quarterly dividend of one and one-half per cent (1 1/2%) on the preferred capital stock of this Company, payable April 15th, 1924, to preferred stockholders of record at the close of business April 7th, 1924.

OWEN SHEPHERD, Treasurer.

### CHICAGO PNEUMATIC TOOL COMPANY DIVIDEND No. 76

A quarterly dividend of one and one-quarter per cent has been duly declared on the Common Stock of this Company payable April 25th, 1924, to stockholders of record at the close of business April 15th, 1924.

J. L. PRICE, Treasurer.

New York, March 25th, 1924.

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The science of successful investment becomes more difficult and complicated as widespread economic changes undermine the old idea of "impregnable investments."

Investors are finding it dangerous to rely entirely upon their own judgment. Complete dependence on selling houses has obvious drawbacks, while free advice from any source is scarcely adequate.

This Service, through its personal letter advices and constant supervision of your entire security list, provides Investment Insurance of the highest order.

If, as an individual with a substantial sum to invest, a trustee, an officer of a bank or other organization, you are interested in the most advantageous investment of capital, do not fail to find out just what we can do for you.

Act promptly, as we may be able to make recommendations almost immediately which will result in saving you many times the cost of your investment in this service.

Send in the coupon TODAY and complete information will be forwarded at once.

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42 Broadway, New York, N. Y.

Please send me full details concerning the above service.

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April 12.

# Some Facts About Studebaker

Assets—\$90,000,000.  
 Plant Investment—\$50,000,000.  
 In drop forge plants—\$8,000,000.  
 In body plants—\$10,000,000.

Sales 1919—39,356 cars.  
 Sales 1920—51,474 cars.  
 Sales 1921—66,643 cars.  
 Sales 1922—110,269 cars.  
 Sales 1923—145,167 cars.

Sales almost trebled in three years. Last year buyers paid \$201,000,000 for Studebaker cars.

Studebaker is now the world's largest maker of quality automobiles.

23,000 employes who are expert and efficient. This because we pay top wages, with extra compensation for extra service. As a proof of efficiency, our man-hours per car have been reduced 50 per cent in the past five years. A saving we have passed on to our customers.

Simply by building our own bodies we are saving buyers of Studebakers up to \$300 per car.

No plant in the world is better equipped to give the utmost in car value.

Back of us a history of 72 years of square dealing. And of ceaseless aim for leadership.

Two generations when Studebaker wagons held the first place on farms.

Several decades when Studebaker carriages set the standards for quality and style.

After that the building of 750,000 Studebaker cars, to which our efforts are now exclusively devoted.

\$38,000,000 has been spent in new plants and equipment in the past five years. So our plants are modern, our facilities up-to-date.

Thus we should, and we do, give the greatest values in the fine car field today. Hundreds of thousands have already proved that.

<b>LIGHT-SIX</b>	
<i>5-Pass. 112-in. W.B. 40 H.P.</i>	
Touring .....	\$1045.00
Roadster (3-Pass.)	1025.00
Coupe-Roadster	
(2-Pass.) .....	1195.00
Coupe (5-Pass.) ..	1395.00
Sedan .....	1485.00

<b>SPECIAL-SIX</b>	
<i>5-Pass. 119-in. W.B. 50 H.P.</i>	
Touring .....	\$1425.00
Roadster (2-Pass.)	1400.00
Coupe (5-Pass.)...	1895.00
Sedan .....	1985.00

<b>BIG-SIX</b>	
<i>7-Pass. 126-in. W.B. 60 H.P.</i>	
Touring .....	\$1750.00
Speedster (5-Pass.)	1835.00
Coupe (5-Pass.)...	2495.00
Sedan .....	2685.00

*All prices f. o. b. U. S. factories*

## STUDEBAKER

Detroit, Mich.

South Bend, Ind.

Walkerville, Canada

THE WORLD'S LARGEST PRODUCER OF QUALITY AUTOMOBILES

